



**Greater Taung Local Municipality**  
Annual Financial Statements  
for the year ended 30 June 2018

# **Greater Taung Local Municipality**

Annual Financial Statements for the year ended 30 June 2018

## **General Information**

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**Legal form of entity**

Municipality

**Nature of business and principal activities**

Greater Taung Local Municipality is a local municipality performing functions as set out in the constitution of the Republic of South Africa (Act no 108 of 1996)

**Capacity of local authority**

High capacity

**Mayoral committee**

Executive Mayor

Motlhabane NC

Speaker

Tladi EH

Chief Whip

Malepe J

MPAC Chairperson

Seleke OR

Executive Committee Members

Gaoboibe LJ

Menyatso L

Moipolai KG

Mongale RA

Montwedi MK

Ntasi NE

**Councillors not on EXCO**

Babuseng MC

Balebanye OJ

De Koker KS

Diphoko GS

Gaobusiwe GW

Gaoraelwe TR

Gasetlolwe FC

Gezane BG

Itumeleng DA

Lepedi MC

Leshoe MF

Maila LE

Mamatpula KL

Maribe IN

Matshwe T

Matuane JA

Mmokwa M

Mocumi KB

Mokgobo MR

Molale OV

Morweng TS

Mosinkiemang MV

Motshibedi SD

Motshabi MI

Ncweng ME

Olifant MKI

Pitso JT

Ratake MJ

Sebe TP

Selbolai KL

Sedupane BJ

Seemelo HD

Seisho KG

Tlhaganyane T

Tokwe LC

Totong DG

Tshipo GJ

**Grading of local authority**

Grade 3 local municipality

# **Greater Taung Local Municipality**

Annual Financial Statements for the year ended 30 June 2018

## **General Information**

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<b>Chief Finance Officer (CFO)</b>	Vermaak MP
<b>Accounting Officer</b>	Gabanakgosi KT
<b>Registered office</b>	Municipal Offices Station Street Taung 8580
<b>Business address</b>	Municipal Offices Station Street Taung 8580
<b>Postal address</b>	Private Bag X1048 Taung Station 8580
<b>Municipal demarcation code</b>	NW394
<b>Bankers</b>	ABSA Bank (Primary) First National Bank Nedbank Limited Standard Bank of South Africa
<b>Auditors</b>	Auditor General of South Africa
<b>Attorneys</b>	Bojosinyane Attorneys Du Plessis ViViers Inc Kgomo Attorneys Inc Mokhetle Attorneys Inc Shuping Attorneys

# **Greater Taung Local Municipality**

Annual Financial Statements for the year ended 30 June 2018

## **Index**

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The reports and statements set out below comprise the annual financial statements presented to the Council:

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FMG	Local Government Financial Management Grant
GRAP	Generally Recognised Accounting Practice
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal System Improvement Grant
PAYE	Pay as you earn
UIF	Unemployment insurance fund
VAT	Value Added Tax

## **Greater Taung Local Municipality**

Annual Financial Statements for the year ended 30 June 2018

### **Accounting Officer's Responsibilities and Approval**

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The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The annual financial statements set out on pages 5 to 87, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2018.

  
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Gabanakgosi KT  
Accounting Officer

# **Greater Taung Local Municipality**

Annual Financial Statements for the year ended 30 June 2018

## **Accounting Officer's Report**

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The accounting officer submits his report for the year ended 30 June 2018.

### **1. Review of activities**

#### **Main business and operations**

The municipality is an organ of state within the local sphere of government exercising legislative and authority within an area determined in terms of the local government municipal demarcation act, 1998.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the municipality was R 83 200 863 (2017: surplus R 35 245 713).

### **2. Going concern**

We draw attention to the fact that at 30 June 2018, the municipality had accumulated surpluses of R 727 362 526 and that the municipality's total assets exceed its liabilities by R 727 362 526.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### **3. Subsequent events**

The Accounting Officer is not aware of any matter or circumstance arising since the end of the financial year.

### **4. Accounting policies**

The annual financial statements have been prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP), issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### **5. Accounting Officer**

The accounting officer of the municipality during the year and to the date of this report is:  
Gabanakgosi KT

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2018

## Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	231 326 747	161 944 715
Receivables from exchange transactions	4&6	10 749 764	10 779 069
Receivables from non-exchange transactions	5&6	12 780 944	12 267 829
VAT receivable	7	4 072 578	7 573 891
Inventories	8	7 207 183	7 181 804
		<b>266 137 216</b>	<b>199 747 308</b>
<b>Non-Current Assets</b>			
Investment property	9	21 379 000	21 534 000
Property, plant and equipment	10	525 667 813	493 228 687
Intangible assets	11	645 015	645 015
		<b>547 691 828</b>	<b>515 407 702</b>
<b>Total Assets</b>		<b>813 829 044</b>	<b>715 155 010</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Finance lease obligation	12	639 435	523 267
Payables from exchange transactions	13	35 457 104	33 218 902
Consumer deposits	14	95 109	105 069
Employee benefit obligation	15	567 946	888 501
Unspent conditional grants and receipts	16	25 107 784	12 162 342
Provisions	17	(343 715)	1 556 074
		<b>61 523 663</b>	<b>48 454 155</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	12	599 559	1 171 686
Provisions	17	13 582 713	10 780 829
Employee benefit obligation	15	10 760 583	10 600 746
		<b>24 942 855</b>	<b>22 553 261</b>
<b>Total Liabilities</b>		<b>86 466 518</b>	<b>71 007 416</b>
<b>Net Assets</b>			
Accumulated surplus		<b>727 362 526</b>	<b>644 147 594</b>
		727 362 526	644 147 594

\* See Note 44

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2018

## Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	40	8 090 444	7 637 890
Rental of facilities and equipment	41	447 514	483 985
Other income	42	9 268 106	8 845 586
Investment income	20	18 000 662	14 479 043
<b>Total revenue from exchange transactions</b>		<b>35 806 726</b>	<b>31 446 504</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	21	40 165 936	26 848 632
Property rates - penalties imposed	21	4 097 402	3 153 005
<b>Transfer revenue</b>			
Government grants and subsidies	22	223 428 560	212 824 288
Other income		65 805	100 112
<b>Total revenue from non-exchange transactions</b>		<b>267 757 703</b>	<b>242 926 037</b>
<b>Total revenue</b>	18	<b>303 564 429</b>	<b>274 372 541</b>
<b>Expenditure</b>			
Employee related costs	23	(74 819 353)	(72 956 147)
Remuneration of councillors	24	(18 092 424)	(15 652 732)
Depreciation and amortisation	25	(27 695 485)	(32 038 636)
Finance costs	43	(2 303 284)	(1 595 142)
Allowance for impairment		(8 356 186)	(33 393 656)
Collection costs		(5 472 056)	-
Repairs and maintenance		(13 877 554)	(14 184 742)
Bulk purchases	26	(3 289 204)	(3 301 956)
Contracted services	27	(17 865 413)	(17 250 364)
General expenses	28	(47 122 670)	(48 867 509)
<b>Total expenditure</b>		<b>(218 893 629)</b>	<b>(239 240 884)</b>
<b>Operating surplus</b>			
Loss on disposal of property, plant and equipment		<b>84 670 800</b>	<b>35 131 657</b>
Actuarial gains / (losses)	15	(2 665 199)	(476 712)
Inventories losses/write-downs		1 195 262	512 846
		-	77 922
<b>Surplus for the year</b>		<b>(1 469 937)</b>	<b>114 056</b>
<b>Surplus for the year</b>		<b>83 200 863</b>	<b>35 245 713</b>

\* See Note 44

**Greater Taung Local Municipality**  
 Annual Financial Statements for the year ended 30 June 2018

**Statement of Changes in Net Assets**

Figures in Rand	Accumulated surplus	Total net assets
<b>Balance at 01 July 2016</b>	<b>608 901 880</b>	<b>608 901 880</b>
Changes in net assets		
Adjustment against profit - prior period error	(22 844 088)	(22 844 088)
Profit as previously reported	58 089 802	58 089 802
Net income (losses) recognised directly in net assets	35 245 714	35 245 714
Total recognised income and expenses for the year	35 245 714	35 245 714
Total changes	35 245 714	35 245 714
<b>Restated* Balance at 01 July 2017</b>	<b>644 161 663</b>	<b>644 161 663</b>
Changes in net assets		
Surplus for the year	83 200 863	83 200 863
Total changes	83 200 863	83 200 863
<b>Balance at 30 June 2018</b>	<b>727 362 526</b>	<b>727 362 526</b>
Note(s)		

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\* See Note 44

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2018

## Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Grants		236 439 807	222 572 112
Sale of goods and services		44 474 415	8 232 378
Other receipts		9 258 146	8 826 921
Interest income		18 000 662	14 479 043
		<b>308 173 030</b>	<b>254 110 454</b>
<b>Payments</b>			
Employee costs		(90 287 598)	(83 538 758)
Cash paid to suppliers and employees		179 284 509	(67 127 596)
Finance costs		(2 303 284)	(1 595 142)
		<b>86 693 627</b>	<b>(152 261 496)</b>
<b>Net cash flows from operating activities</b>	<b>30</b>	<b>394 866 657</b>	<b>101 848 958</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(323 340 346)	(57 913 814)
Proceeds from sale of property, plant and equipment	10	(1 688 318)	1 038 886
Purchase of other intangible assets	11	-	(421 024)
<b>Net cash flows from investing activities</b>		<b>(325 028 664)</b>	<b>(57 295 952)</b>
<b>Cash flows from financing activities</b>			
Finance lease payments		(455 959)	1 353 799
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>69 382 034</b>	<b>45 906 805</b>
Cash and cash equivalents at the beginning of the year		161 944 715	116 037 909
<b>Cash and cash equivalents at the end of the year</b>	<b>3</b>	<b>231 326 749</b>	<b>161 944 714</b>

\* See Note 44

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2018

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Figures in Rand</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	9 839 000	(500 000)	<b>9 339 000</b>	8 090 444	<b>(1 248 556)</b>	
Rental of facilities and equipment	596 000	-	<b>596 000</b>	447 514	<b>(148 486)</b>	
Other income	2 164 000	-	<b>2 164 000</b>	9 268 106	<b>7 104 106</b>	
Interest received	12 641 000	5 000 000	<b>17 641 000</b>	18 000 662	<b>359 662</b>	
Gains on disposal of assets	-	500 000	<b>500 000</b>	-	<b>(500 000)</b>	
<b>Total revenue from exchange transactions</b>	<b>25 240 000</b>	<b>5 000 000</b>	<b>30 240 000</b>	<b>35 806 726</b>	<b>5 566 726</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	31 500 000	5 000 000	<b>36 500 000</b>	40 165 936	<b>3 665 936</b>	
Property rates - penalties imposed	295 000	-	<b>295 000</b>	4 097 402	<b>3 802 402</b>	
<b>Transfer revenue</b>						
Government grants and subsidies	177 062 000	-	<b>177 062 000</b>	223 428 560	<b>46 366 560</b>	
Other revenue	-	-	-	65 805	<b>65 805</b>	
<b>Total revenue from non-exchange transactions</b>	<b>208 857 000</b>	<b>5 000 000</b>	<b>213 857 000</b>	<b>267 757 703</b>	<b>53 900 703</b>	
<b>Total revenue</b>	<b>234 097 000</b>	<b>10 000 000</b>	<b>244 097 000</b>	<b>303 564 429</b>	<b>59 467 429</b>	
<b>Expenditure</b>						
Employee related costs	(87 461 000)	-	<b>(87 461 000)</b>	(74 819 353)	<b>12 641 647</b>	
Remuneration of councillors	(19 392 000)	-	<b>(19 392 000)</b>	(18 092 424)	<b>1 299 576</b>	
Depreciation and amortisation	(27 452 000)	-	<b>(27 452 000)</b>	(27 695 485)	<b>(243 485)</b>	
Finance costs	(815 000)	-	<b>(815 000)</b>	(2 303 284)	<b>(1 488 284)</b>	
Debt Impairment	(8 000 000)	5 000 000	<b>(3 000 000)</b>	(8 356 186)	<b>(5 356 186)</b>	
Collection costs	-	-	-	(5 472 056)	<b>(5 472 056)</b>	
Repairs and maintenance	(19 050 000)	-	<b>(19 050 000)</b>	(13 877 554)	<b>5 172 446</b>	
Bulk purchases	(3 817 000)	-	<b>(3 817 000)</b>	(3 289 204)	<b>527 796</b>	
Contracted Services	(20 568 000)	(1 000 000)	<b>(21 568 000)</b>	(17 865 413)	<b>3 702 587</b>	
General Expenses	(61 256 000)	(8 000 000)	<b>(69 256 000)</b>	(47 122 670)	<b>22 133 330</b>	
<b>Total expenditure</b>	<b>(247 811 000)</b>	<b>(4 000 000)</b>	<b>(251 811 000)</b>	<b>(218 893 629)</b>	<b>32 917 371</b>	
<b>Operating surplus</b>	<b>(13 714 000)</b>	<b>6 000 000</b>	<b>(7 714 000)</b>	<b>84 670 800</b>	<b>92 384 800</b>	
Loss on disposal of assets and liabilities	-	-	-	(2 665 199)	<b>(2 665 199)</b>	
Transfers and subsidies	61 671 000	-	<b>61 671 000</b>	1 195 262	<b>(60 475 738)</b>	
	<b>61 671 000</b>	-	<b>61 671 000</b>	<b>(1 469 937)</b>	<b>(63 140 937)</b>	
<b>Surplus before taxation</b>	<b>47 957 000</b>	<b>6 000 000</b>	<b>53 957 000</b>	<b>83 200 863</b>	<b>29 243 863</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>47 957 000</b>	<b>6 000 000</b>	<b>53 957 000</b>	<b>83 200 863</b>	<b>29 243 863</b>	

# **Greater Taung Local Municipality**

Annual Financial Statements for the year ended 30 June 2018

## **Statement of Comparison of Budget and Actual Amounts**

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2018

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Figures in Rand</b>						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	-	-	-	7 207 183	<b>7 207 183</b>	
Receivables from exchange transactions	-	-	-	10 749 764	<b>10 749 764</b>	
Receivables from non-exchange transactions	-	-	-	12 780 944	<b>12 780 944</b>	
VAT receivable	-	-	-	4 072 578	<b>4 072 578</b>	
Cash and cash equivalents	-	107 633 000	<b>107 633 000</b>	231 326 747	<b>123 693 747</b>	
	<b>- 107 633 000</b>	<b>107 633 000</b>	<b>266 137 216</b>	<b>158 504 216</b>		
<b>Non-Current Assets</b>						
Investment property	-	-	-	21 379 000	<b>21 379 000</b>	
Property, plant and equipment	-	592 671 000	<b>592 671 000</b>	525 667 813	(67 003 187)	
Intangible assets	-	-	-	645 015	<b>645 015</b>	
	<b>- 592 671 000</b>	<b>592 671 000</b>	<b>547 691 828</b>	<b>(44 979 172)</b>		
<b>Total Assets</b>	<b>- 700 304 000</b>	<b>700 304 000</b>	<b>813 829 044</b>	<b>113 525 044</b>		
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Finance lease obligation	-	-	-	639 435	<b>639 435</b>	
Payables from exchange transactions	-	-	-	35 457 104	<b>35 457 104</b>	
Consumer deposits	-	-	-	95 109	<b>95 109</b>	
Employee benefit obligation	-	10 035 000	<b>10 035 000</b>	567 946	(9 467 054)	
Unspent conditional grants and receipts	-	-	-	25 107 784	<b>25 107 784</b>	
Provisions	-	11 967 000	<b>11 967 000</b>	(343 715)	(12 310 715)	
Bank overdraft	-	341	<b>341</b>	-	(341)	
	<b>- 22 002 341</b>	<b>22 002 341</b>	<b>61 523 663</b>	<b>39 521 322</b>		
<b>Non-Current Liabilities</b>						
Finance lease obligation	-	-	-	599 559	<b>599 559</b>	
Employee benefit obligation	-	10 035 000	<b>10 035 000</b>	10 760 583	<b>725 583</b>	
Provisions	-	11 967 000	<b>11 967 000</b>	13 582 713	<b>1 615 713</b>	
	<b>- 22 002 000</b>	<b>22 002 000</b>	<b>24 942 855</b>	<b>2 940 855</b>		
<b>Total Liabilities</b>	<b>- 44 004 341</b>	<b>44 004 341</b>	<b>86 466 518</b>	<b>42 462 177</b>		
<b>Net Assets</b>	<b>- 656 299 659</b>	<b>656 299 659</b>	<b>727 362 526</b>	<b>71 062 867</b>		
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	-	656 299 659	<b>656 299 659</b>	727 362 526	<b>71 062 867</b>	

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2018

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Figures in Rand</b>						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Sale of goods and services	34 773 000	-	<b>34 773 000</b>	44 474 415	<b>9 701 415</b>	
Grants	238 733 000	-	<b>238 733 000</b>	236 439 807	(2 293 193)	
Interest income from investing activities	7 000 000	-	<b>7 000 000</b>	18 000 662	<b>11 000 662</b>	
Other receipts	-	-	-	9 258 146	<b>9 258 146</b>	
	<b>280 506 000</b>	-	<b>280 506 000</b>	<b>308 173 030</b>	<b>27 667 030</b>	
<b>Payments</b>						
Cash paid to suppliers and employees	(188 762 000)	-	<b>(188 762 000)</b>	(90 287 598)	<b>98 474 402</b>	
Finance costs	(815 000)	-	<b>(815 000)</b>	(2 303 284)	(1 488 284)	
Other payments	(13 075 000)	-	<b>(13 075 000)</b>	179 284 509	<b>192 359 509</b>	
	<b>(202 652 000)</b>	-	<b>(202 652 000)</b>	<b>86 693 627</b>	<b>289 345 627</b>	
<b>Net cash flows from operating activities</b>	<b>77 854 000</b>	-	<b>77 854 000</b>	<b>394 866 657</b>	<b>317 012 657</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(74 337 000)	-	<b>(74 337 000)</b>	(323 340 346)	(249 003 346)	
Proceeds from sale of repairs and maintenance	-	-	-	(1 688 318)	(1 688 318)	
<b>Net cash flows from investing activities</b>	<b>(74 337 000)</b>	-	<b>(74 337 000)</b>	<b>(325 028 664)</b>	<b>(250 691 664)</b>	
<b>Cash flows from financing activities</b>						
Finance lease payments	(1 600 000)	-	<b>(1 600 000)</b>	(455 959)	<b>1 144 041</b>	
Net increase/(decrease) in cash and cash equivalents	1 917 000	-	<b>1 917 000</b>	69 382 034	<b>67 465 034</b>	
Cash and cash equivalents at the beginning of the year	139 264 000	-	<b>139 264 000</b>	161 944 715	<b>22 680 715</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>141 181 000</b>	-	<b>141 181 000</b>	<b>231 326 749</b>	<b>90 145 749</b>	
<b>Reconciliation</b>						

# **Greater Taung Local Municipality**

Annual Financial Statements for the year ended 30 June 2018

## **Accounting Policies**

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### **1. Presentation of Annual Financial Statements**

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures are rounded to the nearest rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

#### **1.1 Going concern assumption**

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### **1.2 Significant judgements and sources of estimation uncertainty**

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

##### **Receivables**

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for receivables is calculated on a portfolio basis. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

##### **Allowance for slow moving, damaged and obsolete inventory**

An assessment is made of net realisable value at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value is subsequently provided. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus or deficit.

##### **Fair value estimation**

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

# **Greater Taung Local Municipality**

Annual Financial Statements for the year ended 30 June 2018

## **Accounting Policies**

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### **1.2 Significant judgements and sources of estimation uncertainty (continued)**

#### **Impairment testing**

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the interest rate assumption may change which may then impact our estimations and may then impact our estimations and may require a material adjustment to the carrying value of tangible assets.

Value in use of cash generating assets:

The municipality reviews and tests the carrying value of cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as exchange rates, inflation and interest rates.

Value in use of non-cash generating assets

The municipality reviews and tests the carrying value of non-cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

#### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

#### **Useful lives of property, plant and equipment and other assets**

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate is based on industry norms and on the pattern in which an asset's future economic benefit or service potential is expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease depreciation charge where useful lives are more than previously estimated useful lives.

#### **Post retirement benefits and other long-term benefits**

The present value of the post retirement benefits and long-term benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement and long-term benefit obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post retirement and long-term benefit obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension or other long-term liability. Where there is no market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in note 15.

#### **Effective interest rate**

The municipality uses the prime interest rate to discount future cash flows.

# **Greater Taung Local Municipality**

Annual Financial Statements for the year ended 30 June 2018

## **Accounting Policies**

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### **1.2 Significant judgements and sources of estimation uncertainty (continued)**

#### **Allowance for impairment**

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

#### **1.3 Investment property**

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that is associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### **Fair value**

Subsequent to initial measurement investment property is measured at fair value.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property are the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

#### **1.4 Property, plant and equipment**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment are initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.4 Property, plant and equipment (continued)

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated over their expected useful lives to their estimated residual value. The depreciation charge for each period is recognised in surplus or deficit.

The useful lives of items of property, plant and equipment have been assessed as follows:

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Item	Depreciation method	Average useful life
Land	Straight line	N/A
Buildings	Straight line	
• Municipal offices		5 - 100 years
• Outdoor recreational facilities		5 - 100 years
• Outdoor sport facilities		12 - 100 years
• Social housing		7 - 100 years
• Staff housing		15 - 100 years
• Stores		15 - 100 years
• Workshop/depots/yards		15 - 100 years
Infrastructure	Straight line	
• Capital spares		45 - 55 years
• Distribution		10 years
• Electricity network		10 - 45 years
• Road bridges		45 - 55 years
• Roads reserves		N/A
• Roads/ roadside assets		5 - 100 years
• Storm water assets		20 - 50 years
• Waste processing facilities		15 - 100 years
Community facilities	Straight line	
• Cemeteries/crematoria		15 - 100 years
• Creches/care centres		5 - 100 years
• Halls/centres/libraries		5 - 100 years
• Parks		15 - 100 years
Finance leased assets	Straight line	
Movable assets	Straight line	
• Bins and containers		5 - 10 years
• Emergency equipment		5 - 15 years
• Furniture and fitting		7 years
• Motor vehicles		3 - 20 years
• Office equipment		3 - 5 years
• Plant and equipment		2 - 15 years

# **Greater Taung Local Municipality**

Annual Financial Statements for the year ended 30 June 2018

## **Accounting Policies**

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### **1.4 Property, plant and equipment (continued)**

The municipality assesses at each reporting date whether there is any indication that the municipality's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

Assets of the municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 10).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### **1.5 Site restoration and dismantling cost**

The municipality has an obligation to dismantle, remove and restore certain items of property, plant and equipment. Such obligations are referred to as 'decommissioning, rehabilitation and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of non-cash-generating assets.

### **1.6 Intangible assets**

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially measured at cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

# **Greater Taung Local Municipality**

Annual Financial Statements for the year ended 30 June 2018

## **Accounting Policies**

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### **1.6 Intangible assets (continued)**

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets to their residual values. The amortisation charge for each period is recognised in surplus or deficit.

The useful lives of items of intangible assets have been assessed as follows:

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<b>Item</b>	<b>Depreciation method</b>	<b>Average useful life</b>
Software	Straight line	1 year - Indefinite

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets are included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### **1.7 Impairment of cash-generating assets**

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follows: The extent to which an asset is used in service delivery.

#### **Identification**

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset is initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### **Value in use**

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

## **Accounting Policies**

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### **1.7 Impairment of cash-generating assets (continued)**

#### **Discount rate**

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### **Recognition and measurement (individual asset)**

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### **Cash-generating units**

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

# **Greater Taung Local Municipality**

Annual Financial Statements for the year ended 30 June 2018

## **Accounting Policies**

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### **1.7 Impairment of cash-generating assets (continued)**

#### **Reversal of impairment loss**

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

#### **Redesignation**

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### **1.8 Impairment of non-cash-generating assets**

Non-cash-generating assets are assets other than cash-generating assets.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follows: Cash-generating assets are assets held with the primary objective of generating a commercial return. Assets will generate a commercial return when the municipality intends to generate positive cash flow from the assets similar to a profit orientate identity and not held primary for service delivery.

#### **Identification**

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset is initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

# **Greater Taung Local Municipality**

Annual Financial Statements for the year ended 30 June 2018

## **Accounting Policies**

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### **1.8 Impairment of non-cash-generating assets (continued)**

#### **Value in use**

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### **Depreciated replacement cost approach**

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset are determined on an "optimised" basis. The rationale is that the municipality will not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### **Recognition and measurement**

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### **Reversal of an impairment loss**

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### **Redesignation**

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### **1.9 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

# **Greater Taung Local Municipality**

Annual Financial Statements for the year ended 30 June 2018

## **Accounting Policies**

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### **1.9 Financial instruments (continued)**

#### **Classification**

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<b>Class</b>	<b>Category</b>
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<b>Class</b>	<b>Category</b>
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligations	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost

#### **Initial recognition**

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

#### **Initial measurement of financial assets and financial liabilities**

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

# **Greater Taung Local Municipality**

Annual Financial Statements for the year ended 30 June 2018

## **Accounting Policies**

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### **1.9 Financial instruments (continued)**

#### **Subsequent measurement of financial assets and financial liabilities**

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost are subject to an impairment review.

#### **Fair value measurement considerations**

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants will consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted when the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

#### **Gains and losses**

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### **Impairment and uncollectability of financial assets**

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in the carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

# **Greater Taung Local Municipality**

Annual Financial Statements for the year ended 30 June 2018

## **Accounting Policies**

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### **1.9 Financial instruments (continued)**

#### **Derecognition**

##### Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

##### Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

### **1.10 Inventories**

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

# **Greater Taung Local Municipality**

Annual Financial Statements for the year ended 30 June 2018

## **Accounting Policies**

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### **1.10 Inventories (continued)**

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### **1.11 Value-added Tax (VAT)**

The municipality is registered with the South African Revenue Services (SARS) for VAT on the cash basis, in accordance with Section 15(2) of the VAT Act No.89 of 1991.

# **Greater Taung Local Municipality**

Annual Financial Statements for the year ended 30 June 2018

## **Accounting Policies**

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### **1.12 Employee benefits**

#### **Short-term employee benefits**

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

#### **Post-employment benefits: Defined benefit plans**

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

The municipality accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;

# **Greater Taung Local Municipality**

Annual Financial Statements for the year ended 30 June 2018

## **Accounting Policies**

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### **1.12 Employee benefits (continued)**

- interest cost;
- actuarial gains and losses;
- past service cost;

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

### **Actuarial assumptions**

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

### **Other post-retirement obligations**

The municipality has an obligation to provide other long-term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to determine the present value of the obligations.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

# **Greater Taung Local Municipality**

Annual Financial Statements for the year ended 30 June 2018

## **Accounting Policies**

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### **1.12 Employee benefits (continued)**

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- actuarial gains and losses;

### **1.13 Provisions and contingencies**

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 33.

# **Greater Taung Local Municipality**

Annual Financial Statements for the year ended 30 June 2018

## **Accounting Policies**

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### **1.13 Provisions and contingencies (continued)**

#### **Decommissioning, restoration and similar liability**

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

The related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.7 and 1.8.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

### **1.14 Accumulated surplus**

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are credited/debited against accumulated surplus when retrospective adjustments are made.

### **1.15 Revenue from exchange transactions**

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

#### **Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### **Sale of goods**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

# **Greater Taung Local Municipality**

Annual Financial Statements for the year ended 30 June 2018

## **Accounting Policies**

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### **1.15 Revenue from exchange transactions (continued)**

#### **Rendering of services**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

#### **Interest**

Revenue arising from the use by others of municipal assets yielding interest is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

### **1.16 Revenue from non-exchange transactions**

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

#### **Recognition**

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

#### **Measurement**

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

# **Greater Taung Local Municipality**

Annual Financial Statements for the year ended 30 June 2018

## **Accounting Policies**

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### **1.16 Revenue from non-exchange transactions (continued)**

#### **Property rates**

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

#### **Transfers**

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### **Debt forgiveness and assumption of liabilities**

The municipality recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

#### **Fines**

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting municipality.

#### **Gifts and donations, including goods in-kind**

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

#### **Services in-kind**

Except for financial guarantee contracts, the municipality recognises services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality discloses the nature and type of services in-kind received during the reporting period.

# **Greater Taung Local Municipality**

Annual Financial Statements for the year ended 30 June 2018

## **Accounting Policies**

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### **1.17 Borrowing costs**

Borrowing costs are interest and other expenses incurred by the municipality in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### **1.18 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

#### **Finance leases - lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

### **1.19 Grant in aid**

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase of sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events given raise to the transfer occurred.

### **1.20 Comparative figures**

Reclassification of certain accounts were made in order to comply with the requirements of Municipal Standard Chart of Accounts (MSCOA). The reclassification have no impact on the net asset value of the municipality.

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### **1.21 Commitments**

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments. Refer to note 32.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

# **Greater Taung Local Municipality**

Annual Financial Statements for the year ended 30 June 2018

## **Accounting Policies**

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### **1.22 Unauthorised expenditure**

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.23 Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. Refer to note 35.

### **1.24 Irregular expenditure**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. Refer to note 36.

### **1.25 Budget information**

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the statement of comparison of budget and actual amounts.

### **1.26 Related parties**

A related party is a person or an entity with the ability to control or jointly control the municipality, or exercise significant influence over the municipality, or vice versa, or an entity that is subject to common control.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### **1.27 Events after reporting date**

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

# **Greater Taung Local Municipality**

Annual Financial Statements for the year ended 30 June 2018

## **Accounting Policies**

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### **1.27 Events after reporting date (continued)**

The municipality adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

# **Greater Taung Local Municipality**

Annual Financial Statements for the year ended 30 June 2018

## **Notes to the Annual Financial Statements**

Figures in Rand

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### **2. New standards and interpretations**

#### **2.1 Standards and interpretations effective and adopted in the current year**

In the current year year, the municipality has adopted the following standards and interpretations that are effective for the current financial year year and that are relevant to its operations:

#### **2.2 Standards and interpretations issued but not yet effective**

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2018 or later periods:

#### **GRAP 34: Separate Financial Statements**

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers: definitions, preparation of separate financial statements, disclosure, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### **GRAP 35: Consolidated Financial Statements**

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers: definitions, preparation of separate financial statements, disclosure, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### **GRAP 36: Investments in Associates and Joint Ventures**

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers: definitions, preparation of separate financial statements, separate financial statements, disclosure, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

# **Greater Taung Local Municipality**

Annual Financial Statements for the year ended 30 June 2018

## **Notes to the Annual Financial Statements**

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### **2. New standards and interpretations (continued)**

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### **GRAP 37: Joint Arrangements**

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers: definitions, preparation of separate financial statements, disclosure, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### **GRAP 38: Disclosure of Interests in Other Entities**

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers: definitions, disclosing information about interests in other entities, significant judgements and assumptions, investment entity status, interests in controlled entities, interests in joint arrangements and associates, interests in structured entities that are not consolidated, non-qualitative ownership interests, controlling interests acquired with the intention of disposal, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### **GRAP 110: Living and Non-living Resources**

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources.

It furthermore covers: definitions, recognition, measurement, depreciation, impairment, compensation for impairment, transfers, derecognition, disclosure, transitional provisions and effective date.

The effective date of the amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### **IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land**

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

# **Greater Taung Local Municipality**

Annual Financial Statements for the year ended 30 June 2018

## **Notes to the Annual Financial Statements**

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### **2. New standards and interpretations (continued)**

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date.

The impact of this interpretation is currently being assessed.

### **GRAP 12 (as amended 2016): Inventories**

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph 12).
- IPSASB amendments: to align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

### **Guideline: Accounting for Arrangements Undertaken i.t.o the National housing Programme**

The objective of this guideline: Entities in the public sector are frequently involved in the construction of houses as part of government's housing policy, implemented through the national housing programme, which is aimed at developing sustainable human settlements. The Housing Act, Act No.107 of 1997 provides information about the housing programmes that fall within the scope of the national housing programme. Concerns were raised by preparers about the inconsistent accounting applied to housing arrangements undertaken by entities under the national housing programme. Different accounting may be appropriate where there are differences between the terms and conditions of arrangements concluded by entities. However, under housing arrangements that are taken in terms of the national housing programme, there are common features and issues that need to be considered. As a result, the Board agreed to develop high-level guidance for arrangements undertaken in terms of the national housing programme.

It covers: background to arrangements undertaken in terms of the national housing programme, transactions that affect the accounting of housing arrangements, consider whether the municipality undertakes transactions with third parties on behalf of another party, accounting by municipalities appointed as project manager, disclosure requirements, accounting by municipalities appointed as project developer, Accounting for the accreditation fee, commission, administration or transaction fee received, land infrastructure, conclusion and application of this guideline to existing arrangements.

The effective date of the guideline is not yet set by the Minister of Finance.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

# **Greater Taung Local Municipality**

Annual Financial Statements for the year ended 30 June 2018

## **Notes to the Annual Financial Statements**

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### **2. New standards and interpretations (continued)**

#### **GRAP 110 (as amended 2016): Living and Non-living Resources**

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: to clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; to align terminology in GRAP 17 with that in IPSAS 17. The term "specialist military equipment" in IPSAS 17 was replaced with the term "weapon systems" and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and to define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the amendment for the first time in the 2021 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

#### **GRAP 18 (as amended 2016): Segment Reporting**

Amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the amendment for the first time in the 2021 annual financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

#### **GRAP 16 (as amended 2016): Investment Property**

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013

The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IASB amendments: to clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property

The effective date of the amendment is for years beginning on or after 01 April 2018.

# **Greater Taung Local Municipality**

Annual Financial Statements for the year ended 30 June 2018

## **Notes to the Annual Financial Statements**

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### **2. New standards and interpretations (continued)**

The municipality expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

#### **GRAP 21 (as amended 2016): Impairment of non-cash-generating assets**

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: to update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

#### **GRAP 26 (as amended 2016): Impairment of cash-generating assets**

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: to update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

#### **GRAP 31 (as amended 2016): Intangible Assets**

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: to add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: to clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and to clarify acceptable methods of depreciating assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

#### **GRAP 103 (as amended 2016): Heritage Assets**

## **Notes to the Annual Financial Statements**

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### **2. New standards and interpretations (continued)**

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

### **GRAP 109: Accounting by Principals and Agents**

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers: definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

- IASB amendments: to require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the amendment for the first time in the 2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

### **GRAP 27 (as amended 2016): Agriculture**

Amendments to the Standard of GRAP on Agriculture resulted from changes made to IPSAS 27 on Agriculture (IPSAS 27) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27. in addition to the changes made by the IPSASB, a consequential amendment has been made to GRAP 103 on Heritage Assets. The IPSASB currently does not have a pronouncement on this topic.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

# **Greater Taung Local Municipality**

Annual Financial Statements for the year ended 30 June 2018

## **Notes to the Annual Financial Statements**

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### **2. New standards and interpretations (continued)**

#### **GRAP 20: Related parties**

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- close member of the family of a person;
- management;
- related parties;
- remuneration; and
- significant influence

The standard sets out the requirements, inter alias, for the disclosure of:

- control;
- related party transactions; and
- remuneration of management

The effective date of the amendment is for years beginning on or after 01 April 2019.

# **Greater Taung Local Municipality**

Annual Financial Statements for the year ended 30 June 2018

## **Notes to the Annual Financial Statements**

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### **2. New standards and interpretations (continued)**

The municipality expects to adopt the amendment for the first time in the 2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### **GRAP 32: Service Concession Arrangements: Grantor**

The objective of this Standard is: to prescribe the accounting for services concession arrangements by the grantor, a public sector entity.

It further covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenue, presentation and disclosure, transactional provisions, as well as the effective date.

The effective date of the amendment is four years beginning on or after 01 April 2019.

The municipality expects to adopt the amendment for the first time in the 2020 annual financial statements.

It is unlikely that the standard will have material impact on the municipality's annual financial statements.

#### **GRAP 17 (as amended 2016): Property, Plant and Equipment**

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: to clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; to align terminology in GRAP 17 with that in IPSAS 17. The term "specialist military equipment" in IPSAS 17 was replaced with the term "weapon systems" and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and to define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

#### **GRAP 108: Statutory Receivables**

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the amendment for the first time in the 2020 annual financial statements.

# **Greater Taung Local Municipality**

Annual Financial Statements for the year ended 30 June 2018

## **Notes to the Annual Financial Statements**

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### **2. New standards and interpretations (continued)**

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

#### **IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset**

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the amendment for the first time in the 2020 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

#### **IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land**

This Interpretation of the Standard of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standards of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principle in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standard of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019 annual financial statements.

The impact of this interpretation is currently being assessed.

#### **IGRAP 19: Liabilities to Pay Levies**

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand

2018

2017

### 2. New standards and interpretations (continued)

This interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when the entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

To clarify the accounting for liability to pay a levy, this Interpretation of the Standards of GRAP addresses the following issues:

- What is the obligating event that gives rise to the recognition of a liability to pay a levy?
- Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?
- Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
- What is the obligating event that gives rise to recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:

- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future;
- The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation of the Standard of GRAP; and
- An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2020 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

### 3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	14 233 210	8 977 096
Short-term deposits	217 093 537	152 967 619
	<b>231 326 747</b>	<b>161 944 715</b>

Cash and cash equivalents are measured at amortised cost. The municipality does not have a bank overdraft facility.

The short term deposit relates to short term deposits held at local banks for no longer than 90 days and bears interest at market related terms.

No item of cash and cash equivalents have been pledged as security.

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand

2018 2017

### 3. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
ABSA - Fixed deposit (206 318 3884)	12 566 314	11 663 227	10 812 086	12 566 314	11 663 227	10 812 086
ABSA - Fixed Deposit (206 350 7897)	6 738 987	6 254 685	5 798 241	6 738 987	6 254 685	5 798 241
ABSA - Fixed Deposit (20 6460 1519)	2 860 661	2 655 078	2 461 320	2 860 661	2 655 078	2 461 320
ABSA - Housing (206 509 865)	63 413	58 856	54 561	63 413	58 856	54 561
FNB - Fixed Notice (740 8902 8507)	3 083 229	2 886 226	2 699 360	3 083 229	2 886 226	2 699 360
Nedbank - Investment (160 7777 69921)	661 731	616 848	574 247	661 731	616 848	571 622
Nedbank - SDL Fund (160 1777 69925)	84 465	78 736	73 176	84 465	78 736	72 841
Nedbank - Eco Green (160 7777 69928)	68 037	63 422	58 943	68 037	63 422	58 672
Standard Bank - Notice Deposit (048 5600 65004)	837 226	782 644	733 904	837 226	782 644	733 904
ABSA - Cheque Account (26 5056 0046)	14 274 402	8 925 791	9 047 202	14 233 232	8 973 780	9 015 258
ABSA Fixed Deposit (20 6381 3842)	4 097 050	3 802 613	3 525 111	4 097 050	3 802 613	3 525 111
ABSA Fixed Deposit (20 6348 4566)	8 630 279	8 010 058	7 425 512	8 630 279	8 010 058	7 425 512
ABSA Fixed Deposit (20 6598 6332)	2 173 580	2 017 375	1 870 154	2 173 580	2 017 375	1 870 154
ABSA Fixed Deposit (20 6602 3614)	170 754 254	109 906 723	67 077 026	170 754 254	109 906 723	67 077 026
Nedbank Fixed Notice (1607776 9922)	2 053 582	1 914 295	1 779 102	2 053 582	1 914 295	1 774 024
Nedbank Fixed Notice (16077776 9923)	2 288 724	2 133 488	1 982 815	2 288 724	2 133 488	1 970 692
Nedbank Fixed Notice (16077776 9924)	114 408	106 678	99 116	114 408	106 678	98 663
Nedbank Call Deposit (37667500223)	17 597	16 668	15 726	17 597	16 668	15 677
Standard Bank Notice Deposit (248685880001)	-	3 316	3 184	3 408	3 315	3 184
<b>Total</b>	<b>231 367 939</b>	<b>161 896 727</b>	<b>116 090 786</b>	<b>231 330 177</b>	<b>161 944 715</b>	<b>116 037 908</b>

### 4. Receivables from exchange transactions

Accrued revenue	95 299	156 705
Other receivables	30 417	2 801 987
Consumer debtors - Electricity	400 609	566 893
Consumer debtors - Water	700 080	614 113
Consumer debtors - Sewerage	2 116 843	1 872 016
Consumer debtors - Refuse	2 801 298	2 495 626
Consumer debtors - Other	4 605 218	2 271 729
	<b>10 749 764</b>	<b>10 779 069</b>

Pledged as security

# Greater Taung Local Municipality

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### 4. Receivables from exchange transactions (continued)

None of the trade and other receivables from exchange transactions are pledged as security for any financial liability of the municipality.

None of the financial assets that are fully performing have been renegotiated in the last year.

### 5. Receivables from non-exchange transactions

Consumer debtors - Rates	12 780 944	12 267 829
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#### Pledged as security

None of the receivables from non-exchange transactions are pledged for security for any financial liability of the municipality.

None of the financial assets that are fully performing have been renegotiated in the last year.

### 6. Consumer debtors disclosure

#### Gross balances

Consumer debtors - Rates	45 987 583	43 790 793
Consumer debtors - Electricity	1 525 223	2 160 847
Consumer debtors - Water	2 687 522	2 365 438
Consumer debtors - Sewerage	8 169 339	7 222 846
Consumer debtors - Refuse	10 782 097	9 608 180
Consumer debtors - Other	13 399 908	6 600 486
	<b>82 551 672</b>	<b>71 748 590</b>

#### Less: Allowance for impairment

Consumer debtors - Rates	(33 206 639)	(31 522 964)
Consumer debtors - Electricity	(1 124 614)	(1 593 954)
Consumer debtors - Water	(1 987 442)	(1 751 325)
Consumer debtors - Sewerage	(6 052 496)	(5 350 830)
Consumer debtors - Refuse	(7 980 799)	(7 112 554)
Consumer debtors - Other	(8 794 690)	(4 328 757)
	<b>(59 146 680)</b>	<b>(51 660 384)</b>

#### Net balance

Consumer debtors - Rates	12 780 944	12 267 829
Consumer debtors - Electricity	400 609	566 893
Consumer debtors - Water	700 080	614 113
Consumer debtors - Sewerage	2 116 843	1 872 016
Consumer debtors - Refuse	2 801 298	2 495 626
Consumer debtors - Other	4 605 218	2 271 729
	<b>23 404 992</b>	<b>20 088 206</b>

#### Included in above is receivables from exchange transactions

Electricity	322 067	488 350
Water	698 234	612 267
Sewerage	2 082 967	1 838 139
Refuse	2 770 953	2 465 280
Other	3 697 095	1 363 607
	<b>9 571 316</b>	<b>6 767 643</b>

#### Included in above is receivables from non-exchange transactions (taxes and transfers)

Rates	12 356 291	11 843 176
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# Greater Taung Local Municipality

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### 6. Consumer debtors disclosure (continued)

	2018	2017
<b>Net balance</b>	<b>21 927 607</b>	<b>18 610 819</b>
<b>Rates</b>		
Current (0 -30 days)	99 360	98 149
31 - 60 days	233 453	236 802
61 - 90 days	201 066	205 201
91 - 120 days	200 025	202 528
>120 days	12 047 040	11 525 149
	<b>12 780 944</b>	<b>12 267 829</b>
<b>Electricity</b>		
Current (0 -30 days)	93 134	56 947
31 - 60 days	64 948	35 141
61 - 90 days	66 039	27 344
91 - 120 days	34 727	12 449
121 - 365 days	141 761	435 012
	<b>400 609</b>	<b>566 893</b>
<b>Water</b>		
Current (0 -30 days)	19 673	18 665
31 - 60 days	21 355	18 299
61 - 90 days	20 994	25 845
91 - 120 days	15 616	14 959
>120 days	622 442	536 345
	<b>700 080</b>	<b>614 113</b>
<b>Sewerage</b>		
Current (0 -30 days)	62 141	52 974
31 - 60 days	57 531	44 349
61 - 90 days	52 128	40 382
91 - 120 days	54 462	38 895
>120 days	1 890 581	1 695 416
	<b>2 116 843</b>	<b>1 872 016</b>
<b>Refuse</b>		
Current (0 -30 days)	90 063	89 909
31 - 60 days	81 765	75 200
61 - 90 days	67 650	67 776
91 - 120 days	72 726	51 125
121 - 365 days	2 489 094	2 211 616
	<b>2 801 298</b>	<b>2 495 626</b>
<b>Other (sundry)</b>		
Current (0 -30 days)	758 525	18 455
31 - 60 days	27 222	15 931
61 - 90 days	20 030	14 493
91 - 120 days	23 835	14 117
121 - 365 days	3 775 606	2 208 733
	<b>4 605 218</b>	<b>2 271 729</b>

# Greater Taung Local Municipality

Annual Financial Statements for the year ended 30 June 2018

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### 6. Consumer debtors disclosure (continued)

#### Summary of debtors by customer classification

##### Consumers

Current (0 -30 days)	710 853	532 305
31 - 60 days	752 356	635 773
61 - 90 days	713 918	638 891
91 - 120 days	669 734	596 099
>120 days	30 771 645	26 735 798
	<b>33 618 506</b>	<b>29 138 866</b>

##### Industrial/ commercial

Current (0 -30 days)	207 475	222 764
31 - 60 days	202 586	319 669
61 - 90 days	185 892	206 912
91 - 120 days	186 606	118 493
>120 days	9 738 248	8 251 080
	<b>10 520 807</b>	<b>9 118 918</b>

##### National and provincial government

Current (0 -30 days)	3 202 330	495 808
31 - 60 days	716 329	649 924
61 - 90 days	552 259	601 430
91 - 120 days	573 105	491 790
>120 days	31 890 951	29 774 469
	<b>36 934 974</b>	<b>32 013 421</b>

##### Reconciliation of allowance for impairment

Balance at beginning of the year	(51 660 384)	(18 354 440)
Contributions to allowance	(7 486 296)	(33 305 942)
	<b>(59 146 680)</b>	<b>(51 660 382)</b>

##### Consumer receivables pledged as security

None of the consumer receivables were pledged as security.

None of the financial assets that are fully performing have been renegotiated in the last year.

### 7. VAT receivable

Value Added Tax	4 072 578	7 573 891
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The municipality is registered on the cash basis for VAT purposes. Thus output VAT is declared on receipt once cash is received and input VAT is claimed on payments when actual payments are made.

All VAT returns have been submitted timeously to SARS by the due date throughout the year.

##### VAT receivable at year end consists of:

VAT input on payables	823 724	443 537
VAT output on receivables	(1 281 014)	(997 755)
VAT receivable on SARS	4 529 868	8 128 109
	<b>4 072 578</b>	<b>7 573 891</b>

# Greater Taung Local Municipality

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<b>8. Inventories</b>		
Land held for sale	6 838 050	6 838 050
Consumable stores	239 255	242 754
Water	492	492
Fuel (Diesel, Petrol)	129 386	100 508
	<b>7 207 183</b>	<b>7 181 804</b>
Inventories recognised as an expense	73 163	4 796 072
<b>Inventory pledged as security</b>		

Inventories were not pledged as security for any financial liability of the municipality.

## 9. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	21 379 000	-	21 379 000	21 534 000	-	21 534 000

### Reconciliation of investment property - 2018

	Opening balance	Fair value adjustments	Total
Land and buildings	21 534 000	(155 000)	21 379 000

### Reconciliation of investment property - 2017

	Opening balance	Total
Land and buildings	21 534 000	21 534 000

### Pledged as security

None of the above investment property have been pledged as security.

A register containing the information required by section 63 of the Municipal Finance Act is available for inspection at the registered office of the municipality.

# **Greater Taung Local Municipality**

Annual Financial Statements for the year ended 30 June 2018

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### **9. Investment property (continued)**

#### **Details of valuation**

The valuation was based on open market value for existing use. These assumptions are based on current market conditions. The investment properties were valued in terms of the requirements of GRAP 16 and the details of the valuation is available for inspection at the registered office of the municipality.

Properties were individually investigated to confirm classification as investment properties. Investment properties are identified under GRAP 16. The following criteria was used to determine whether a property should be classified as an investment property:

A building owned by the municipality and leased out to third parties under one or more operating leases

Land held for a current undeterminable future use

Property being constructed or developed for future use as investment property.

Amounts recognised in surplus and deficit for the year.

#### **Reconciliation of valuation obtained and the valuation included in the financial statements**

##### **Property 1**

###### **Amounts recognised in surplus or deficit**

Rental revenue from Investment property	17 625	70 500
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# Greater Taung Local Municipality

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### 10. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	59 914 415	-	59 914 415	59 914 415	-	59 914 415
Buildings	263 607 007	(113 246 226)	150 360 781	247 699 159	(101 551 217)	146 147 942
Infrastructure	413 841 187	(192 899 571)	220 941 616	400 133 948	(179 178 664)	220 955 284
Work in progress	70 772 728	-	70 772 728	38 288 643	-	38 288 643
Finance leased assets	3 633 141	(2 480 118)	1 153 023	3 541 059	(1 890 996)	1 650 063
Movable assets	51 872 741	(29 347 491)	22 525 250	46 997 417	(20 725 077)	26 272 340
<b>Total</b>	<b>863 641 219</b>	<b>(337 973 406)</b>	<b>525 667 813</b>	<b>796 574 641</b>	<b>(303 345 954)</b>	<b>493 228 687</b>

### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	59 914 415	-	-	-	-	-	-	59 914 415
Buildings	146 147 942	16 530 693	-	(405 339)	-	(10 497 685)	(1 928 900)	150 360 781
Infrastructure	220 955 284	9 798 523	-	(175 960)	-	(9 636 231)	-	220 941 616
Work in progress	38 288 643	58 818 726	-	-	(26 329 217)	-	-	70 772 728
Finance leased assets	1 650 063	92 081	-	-	-	(589 121)	-	1 153 023
Movable assets	26 272 340	3 417 431	(395 582)	-	-	(6 972 446)	-	22 525 250
	<b>493 228 687</b>	<b>88 657 454</b>	<b>(395 582)</b>	<b>(581 299)</b>	<b>(26 329 217)</b>	<b>(27 695 483)</b>	<b>(1 928 900)</b>	<b>525 667 813</b>

# Greater Taung Local Municipality

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### 10. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
Land	59 852 623	61 792	-	-	-	-	-	-	59 914 415
Buildings	118 973 818	38 214 191	(215 529)	-	(46 305)	(10 757 392)	(20 841)	-	146 147 942
Infrastructure	212 602 061	18 201 837	-	-	-	(9 848 612)	-	-	220 955 284
Work in progress	49 655 364	45 111 100	-	(56 477 821)	-	-	-	-	38 288 643
IT equipment	310 213	1 694 952	-	-	-	(355 102)	-	-	1 650 063
Movable assets	27 286 343	5 043 503	(6 382 979)	-	-	(4 757 437)	-	5 082 910	26 272 340
	<b>468 680 422</b>	<b>108 327 375</b>	<b>(6 598 508)</b>	<b>(56 477 821)</b>	<b>(46 305)</b>	<b>(25 718 543)</b>	<b>(20 841)</b>	<b>5 082 910</b>	<b>493 228 687</b>

#### Pledged as security

None of the above property, plant and equipment have been pledged as security.

#### Assets subject to finance lease (Net carrying amount)

Leased Assets	<u>1 153 023</u>	1 650 063
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### 11. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Software	858 213	(213 198)	645 015	857 613	(212 598)	645 015

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### 11. Intangible assets (continued)

#### Reconciliation of intangible assets - 2018

	Opening balance	Total
Software	645 015	645 015

#### Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Software	275 233	421 024	(51 242)	645 015

#### Pledged as security

None of the above intangible assets have been pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 12. Finance lease obligation

#### Minimum lease payments due

- within one year	729 033	707 647
- in second to fifth year inclusive	685 220	1 343 129
	1 414 253	2 050 776
less: future finance charges	(175 258)	(355 823)
<b>Present value of minimum lease payments</b>	<b>1 238 995</b>	<b>1 694 953</b>

#### Present value of minimum lease payments due

- within one year	599 559	523 267
- in second to fifth year inclusive	639 436	1 171 686
	<b>1 238 995</b>	<b>1 694 953</b>

Non-current liabilities

Non-current liabilities	599 559	1 171 686
Current liabilities	639 435	523 267
	<b>1 238 994</b>	<b>1 694 953</b>

It is municipality policy to lease certain computer equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 11% (2017: 11%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 10.

# Greater Taung Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>13. Payables from exchange transactions</b>		
Trade payables	398 382	1 003
Payments received in advanced	1 012 591	1 477 385
Retentions	11 882 364	12 170 513
Accrued leave pay	13 996 753	12 464 645
Accrued bonus	1 663 114	1 619 655
Accrued expense	6 293 631	5 254 354
Deposits received	238 347	231 347
Vehicle registration	(28 078)	-
	<b>35 457 104</b>	<b>33 218 902</b>

## 14. Consumer deposits

Electricity	95 109	105 069
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Deposits are paid by consumers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where default on their accounts, the municipality can utilise the deposit as payment for the outstanding account balance.

No interest is paid to consumers on deposits held.

## 15. Employee benefit obligations

### The municipality has the following employee benefit obligation

#### Post retirement medical aid plan

The municipality operates an unfunded post-employment health care defined benefit plans for qualifying employees. Employees of the municipality are members of Bonitas, Hosmed, Samwumed, Key health and LA Health medical schemes. The most recent actuarial valuations of plan assets as the present value of the defined benefit obligation were carried out at 30 June 2018 by Mr C Weiss (BSc FFA), Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. The municipality does not have long term assets set aside off-balance sheet in respect of the post employment health care liability.

#### Long Service Awards

Long service awards are provided to employees for every five years of service completed, from ten years of service to 45 years of service, inclusive.

#### The amounts recognised in the statement of financial position are as follows:

##### Carrying value

Post retirement benefits: medical aid	(7 773 121)	(8 192 420)
Present value of long service awards	(3 555 408)	(3 355 018)
	<b>(11 328 529)</b>	<b>(11 547 438)</b>

Non-current liabilities	(10 760 583)	(10 600 746)
Current liabilities	(567 946)	(888 501)
	<b>(11 328 529)</b>	<b>(11 489 247)</b>

# Greater Taung Local Municipality

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### 15. Employee benefit obligations (continued)

**Changes in the carrying values of the employee benefit obligation are as follows:**

#### Medical aid subsidy plan

Opening balance	8 192 421	7 145 206
Current service cost - included in employee related costs	643 592	729 374
Finance charges - included in finance cost	805 233	668 400
Actuarial gain/losses	(1 341 683)	(302 511)
Maximum subsidy applied	(392 170)	-
Benefits paid during the year	(134 272)	(48 048)
<b>Closing balance</b>	<b>7 773 121</b>	<b>8 192 421</b>

#### Long service awards

Opening balance	3 355 018	3 138 199
Current service cost - included in employee related costs	346 209	366 661
Finance charges - included in finance cost	261 911	260 571
Actuarial gain/losses	146 421	(210 335)
Benefits paid during the year	(554 151)	(200 078)
<b>Closing balance</b>	<b>3 555 408</b>	<b>3 355 018</b>

#### Total Employee benefit obligation

Opening balance	11 547 439	10 035 279
Current service cost	989 801	1 344 161
Finance charges	1 067 144	928 971
Actuarial gain/losses	(1 195 262)	(512 846)
Benefits paid during the year	(688 423)	(248 126)
Maximum subsidy applied	(392 170)	-
<b>Closing balance</b>	<b>11 328 529</b>	<b>11 547 439</b>

#### Current portion of the liability consist of:

Post retirement benefit: medical aid	110 780	134 272
Long service awards	457 166	754 229
	<b>567 946</b>	<b>888 501</b>

#### Net expense recognised in the statement of financial performance

Current service cost	989 801	1 096 035
Interest cost	1 067 144	928 971
Actuarial (gains) losses	(1 195 262)	(512 846)
Benefits paid during the year	(688 423)	(306 318)
Maximum subsidy applied	(334 041)	-
	<b>(160 781)</b>	<b>1 205 842</b>

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### 15. Employee benefit obligations (continued)

#### Post Retirement Benefits: Medical Aid

The post retirement benefit plan is classified as a defined benefit plan, of which the members are made up of the following:

In-service (employee) members	156	161
In-service (employee) non-members	94	83
Continuation (retiree and widow) members	4	4
<b>Total</b>	<b>254</b>	<b>248</b>

The liability in respect of the periods commencing prior to the comparative year has been estimated as follows:

In-service (employee) members	4 821 542	4 828 838
In-service (employee) non-members	1 430 263	1 348 884
Continuation (retiree and widow) members	1 521 316	2 014 698
<b>Total</b>	<b>7 773 121</b>	<b>8 192 420</b>

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas
- Hosmed
- Samwumed
- Key Health
- LA Health

Key actuarial assumptions used:

#### Rates of interest used:

Discount rates	9,76 %	9,76 %
Health care cost inflation rate	7,50 %	7,50 %
Net-of-health-care-cost-inflation discount rate	2,10 %	2,10 %
Maximum subsidy inflation rate	5,25 %	5,25 %
Net-of-maximum-subsidy-inflation discount rate	4,29 %	4,29 %
	-	-

Mortality - during employment SA85-90

Mortality - post-retirement PA(90) -1

Average retirement age - 65

# Greater Taung Local Municipality

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### 15. Employee benefit obligations (continued)

#### Sensitivity analysis on the accrued liability

The liability at the valuation date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed rate of health care cost inflation;
- (ii) A 1% increase and decrease in the discount rate;
- (iii) A one-year age deduction in the assumed rates of post-retirement mortality.
- (iv) A one-year decrease in the assumed average retirement age; and
- (v) A 10% decrease in the assumed proportion of in-service members that continue to receive the subsidy after retirement.

The effect of movements in the assumption for the year ended **30 June 2018** the obligation are as follows:

<b>Assumptions</b>	<b>Change in assumption</b>	<b>In-Service members liability</b>	<b>Continuation members liability</b>	<b>Total liabilities</b>	<b>Change</b>
Central assumptions	- %	6 252 000	1 521 000	7 773 000	- %
Health care inflation	1,00 %	7 089 000	1 611 000	8 701 000	12,00 %
Health care inflation	(1,00)%	5 329 000	1 409 000	6 739 000	(13,00)%
Discount rate	1,00 %	5 175 000	1 389 000	6 564 000	(16,00)%
Discount rate	(1,00)%	7 638 000	1 676 000	9 314 000	20,00 %
Post retirement mortality	- %	6 443 000	1 569 000	8 012 000	3,00 %
Average retirement age	- %	6 853 000	1 521 000	8 374 000	8,00 %
Continuation of membership retirement	(10,00)%	4 760 000	1 521 000	6 281 000	(19,00)%
	- %	-	-	-	- %

The effect of movements in the assumptions for the year ended **30 June 2018** on the interest and service costs are as follows:

<b>Assumptions</b>	<b>Change in assumptions</b>	<b>Current service cost</b>	<b>Interest cost</b>	<b>Total</b>	<b>Change</b>
Central assumptions	- %	643 600	805 200	1 448 800	- %
Health care inflation	1,00 %	810 800	972 200	1 783 000	23,00 %
Health care inflation	(1,00)%	515 200	673 100	1 188 300	(18,00)%
Discount rate	1,00 %	522 700	744 200	1 266 900	(13,00)%
Discount rate	(1,00)%	802 200	872 900	1 675 100	16,00 %
Post retirement mortality	- %	665 800	833 300	1 499 100	3,00 %
Average retirement age	- %	700 300	860 800	1 561 100	8,00 %
Continuation of membership at retirement	(10,00)%	489 400	661 000	1 150 400	(21,00)%
	- %	-	-	-	- %

The effect of movements in the assumptions for the year ended **30 June 2017** on the obligation are as follows:

<b>Assumptions</b>	<b>Change in assumption</b>	<b>In-Service members liability</b>	<b>Continuation members liability</b>	<b>Total liability</b>	<b>% Change</b>
Central assumptions	-	6 178 000	2 015 000	8 192 000	-
Health care inflation	1 %	7 642 000	2 236 000	9 877 000	21 %
Health care inflation	-1 %	5 034 000	1 825 000	6 859 000	-16 %
Discount rate	1 %	5 059 000	1 829 000	6 888 000	-16 %
Discount rate	-1 %	7 631 000	2 234 000	9 865 000	20 %
Post retirement mortality	- one year	6 391 000	2 084 000	8 475 000	3 %
Average retirement age	- one year	6 739 000	2 015 000	8 753 000	7 %
Continuation of membership at retirement	-10 %	4 722 000	2 015 000	6 737 000	-18 %
		-	-	-	-

The effect of movements in the assumptions for the year ended **30 June 2017** on the interest and service costs are as follows:

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### 15. Employee benefit obligations (continued)

Assumptions	Change in assumption	Current service cost	Interest cost	Total	% Change
Central assumptions		729 400	668 400	1 397 800	-
Health care inflation	1 %	915 000	818 300	1 733 300	24 %
Health care inflation	-1 %	587 200	551 100	1 138 300	-19 %
Discount rate	1 %	594 700	611 800	1 206 500	-14 %
Discount rate	-1 %	906 800	731 200	1 638 000	17 %
Post retirement mortality	- one year	755 500	693 300	1 448 800	4 %
Average retirement age	- one year	799 900	717 400	1 517 300	9 %
Continuation of membership at retirement	-10 %	560 800	529 500	1 090 300	-22 %
		-	-	-	-

### Long service awards

The long service awards are defined benefit plans.

Eligible employees	244	259
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Key actuarial assumptions used:

Rate of interest

Discount rate	8,63%	8,49%
General salary inflation	6,22%	6,31%
Net effective discount rate applied to salary related long service awards	2,27%	2,05%

Mortality Rate:

The SA 85-90 ultimate table was used by the actuaries.

Average retirement age

It has been assumed that in-service members will retire at age 65, which then implicitly allows for expected rates of early and ill health retirement.

Expected remaining working lifetime

It has been assumed that the percentage remaining working lifetime of eligible employees is 21.6 years.

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### 15. Employee benefit obligations (continued)

**Total amount recognised in the statement of financial position are as follows:**

#### Sensitivity analysis on the accrued liability

The liability as the valuation date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed general salary inflation rate;
- (ii) A 1% increase and decrease in the discount rate;
- (iii) A two-year age increase and decrease in the assumed average retirement age of employees; and
- (iv) A 50% decrease in the assumed withdrawal rate.

The effect of movements in the assumptions for the year ended **30 June 2018** are as follows:

Assumption	Change in assumption	Total liability	% Change
Central assumptions	-	3 355 000	-
General salary inflation	1 %	3 804 000	7 %
General salary inflation	-1 %	3 332 000	-6 %
Discount rate	1 %	3 323 000	-7 %
Discount rate	-1 %	3 818 000	7 %
Average retirement age	- two years	3 179 000	-11 %
Average retirement age	+ two years	3 861 000	9 %
Withdrawal rate	-50 %	4 207 000	-18 %
			-

The effect of the movement in the assumption for the year ended **30 June 2018** in the current service and the interest cost are as follows:

Assumption	Change in assumption	Current service cost	Interest cost	Total	% Change
Central assumptions		346 200	261 900	608 100	
General salary inflation	1 %	376 600	281 000	657 600	8 %
General salary inflation	-1 %	319 200	244 700	563 900	-7 %
Discount rate	1 %	321 300	272 600	593 900	-2 %
Discount rate	-1 %	374 700	249 000	623 700	3 %
Average retirement age	- two years	316 500	233 800	550 300	-10 %
Average retirement age	+ two years	368 700	283 700	652 400	7 %
Withdrawal rate	-50 %	446 300	314 100	760 400	25 %
		-	-	-	-

The effect of movements in the assumptions for the year ended **30 June 2017** in the obligation are as follows:

Assumptions	Change in assumption	Total liability	% Change
Central assumptions	-	3 355 000	-
General salary inflation	1 %	3 581 000	7 %
General salary inflation	-1 %	3 152 000	-6 %
Discount rate	1 %	3 143 000	-6 %
Discount rate	-1 %	3 595 000	7 %
Average retirement age	- two years	3 020 000	-10 %
Average retirement age	+ two years	3 611 000	8 %
Withdrawal rate	-50 %	3 970 000	18 %
		-	-

The effect of the movement in the assumptions for the year ended **30 June 2017** in the current service and the interest cost are as follows:

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### 15. Employee benefit obligations (continued)

Assumptions	Change in assumption	Current service cost	Interest cost	Total	% Change
Central assumptions	-	366 700	260 600	627 300	-
General salary inflation	1%	401 900	280 400	682 300	9
General salary inflation	-1 %	335 600	242 800	578 400	(8)
Discount rate	1 %	337 700	270 200	607 900	(3)
Discount rate	-1 %	400 000	248 800	648 800	3
Average retirement age		334 400	232 700	567 100	(10)
Average retirement age		392 100	283 200	675 300	8
Withdrawal rate	-50 %	482 700	312 300	795 000	27
		-	-	-	-

### 16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Municipal Infrastructure Grant	19 609 571	9 656 960
Local Government - FMG	69 554	18 494
Unspent grants 5	2 271 000	-
Local Government - Disaster Fund	505 700	505 700
Department of Sports - Library Grants	2 651 959	1 981 188
	<b>25 107 784</b>	<b>12 162 342</b>

These amounts are invested in a ring-fenced investment until utilised. Please see note 22 for reconciliation of grants from national/provincial government.

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### 17. Provisions

#### Reconciliation of provisions - 2018

	Opening Balance	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	12 336 903	(473 437)	1 375 532	13 238 998

#### Reconciliation of provisions - 2017

	Opening Balance	Utilised during the year	Unwinding of interest	Total
Environmental rehabilitation	11 967 024	(228 690)	598 569	12 336 903
Non-current liabilities			13 582 713	10 780 829
Current liabilities			(343 715)	1 556 074
			<b>13 238 998</b>	<b>12 336 903</b>

The municipality operates on five landfill sites. The in year actual operational costs is expensed in the statement of financial performance. The provision is calculated in order to finance the rehabilitation cost of each site when it reaches 100% capacity.

The provision for each landfill site was determined with reference to the operational status of the site. If the site would still be in operation in the future, the present value of the future cash flows were determined using a discounting rate of 8%.

If the site is currently not in use and thus would need to be closed immediately, the immediate closure cost as determined by engineer was used.

To determine the immediate closure cost the engineer considered the following:

1) The average CPI rate (6.78%). The CPI rate is used to calculate the contract price adjustment.

2) The maximum life span of the landfill site. For each landfill site it was determined as:

New Pudimoe landfill site: Unknown

Interim operational Pudimoe landfill site: 2 years

Abandoned Pudimoe landfill site: Not active

Taung landfill site: 3 years

Reivilo landfill sites: 5 -6 years

3) The size of the landfill site. For each land site it was determined as:

New Pudimoe landfill site: 2:25 hectares

Interim operational Pudimoe landfill site: 0.7 hectares

Abandoned Pudimoe landfill site: 0.4 hectares

Taung landfill site: 2.5 hectares

Reivilo landfill site: 2.5 hectares

#### Environmental rehabilitation provision

The provision for rehabilitation of landfill and waste disposal sites relates to the legal obligation to rehabilitate landfill sites and waste disposal sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No. 28 of 2002).

The landfill sites are registered as official dumping sites and are therefore operated without a permit. As disclosed in the Government Gazette no 10747 dated 24 July 2015, the maximum fine applicable for operating a waste disposal site under section 24G Fine Regulations of NEMA, rounds up to R10 million per site and a contingent liability has been disclosed.

Section 24G (1) of the NEMA also stipulates that the landfill site be closed with immediate effect if no objection has been made by the municipality, therefore the provision for rehabilitation has been calculated as a current liability at 30 June 2017.

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### 17. Provisions (continued)

Management has included the best estimated amount as the actual amount is uncertain. The payment of total closure and rehabilitation dates are uncertain.

The provision has been determined by an independent firm of consultants through investigation to determine the best estimated rehabilitation costs for the waste disposal sites at the end of its useful life.

The maximum life span of the landfill sites is between 2 to 5 years.

### 18. Revenue

Service charges	8 090 444	7 637 890
Rental of facilities and equipment	447 514	483 985
Other income from exchange transactions	9 268 106	8 845 586
Investment income	18 000 662	14 479 043
Property rates	40 165 936	26 848 632
Property rates - penalties imposed	4 097 402	3 153 005
Government grants & subsidies	223 428 560	212 824 288
Other income from non-exchange transactions	65 805	100 112
	<b>303 564 429</b>	<b>274 372 541</b>

**The amount included in revenue arising from exchanges of goods or services are as follows:**

Service charges	8 090 444	7 637 890
Rental of facilities and equipment	447 514	483 985
Other income	9 268 106	8 845 586
Investment income	18 000 662	14 479 043
	<b>35 806 726</b>	<b>31 446 504</b>

**The amount included in revenue arising from non-exchange transactions is as follows:**

<b>Taxation revenue</b>		
Property rates	40 165 936	26 848 632
Property rates - penalties imposed	4 097 402	3 153 005
<b>Transfer revenue</b>		
Government grants and subsidies	223 428 560	212 824 288
Other income	65 805	100 112
	<b>267 757 703</b>	<b>242 926 037</b>

### 19. Other income

Other income from exchange transactions	9 268 106	8 845 586
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**The amount included in other revenue arising from non-exchange transactions is as follows:**

<b>Taxation revenue</b>		
Subsidy from SETA	65 805	100 112

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### 20. Investment revenue

#### Interest revenue

Cash and cash equivalents	15 621 899	12 441 897
Interest charged on consumer receivables	2 378 763	2 037 146
	<b>18 000 662</b>	<b>14 479 043</b>

The amount included in investment income arising from exchange transactions amounted to R 2 378 763 (2017: R2 037 146).

The amount included in investment revenue arising from non-exchange transactions amounted to R 15 621 887 (2016: R12 441 897)

### 21. Property rates

#### Rates received

Residential	40 247 920	31 460 210
Less: Income forgone	(81 984)	(4 611 578)
	<b>40 165 936</b>	<b>26 848 632</b>
Property rates - penalties imposed	4 097 402	3 153 005
	<b>44 263 338</b>	<b>30 001 637</b>

#### Valuations

Residential	346 244 900	561 925 400
Commercial	242 332 700	264 202 900
State	1 391 943 600	842 192 101
Municipal	11 830 200	9 042 200
Small holdings and farms	1 871 513 014	1 547 810 715
Other	52 439 400	45 689 700
	<b>3 916 303 814</b>	<b>3 270 863 016</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 September 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The new general valuation was implemented on 01 July 2017.

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### 22. Government grants and subsidies

#### Operating grants

Equitable share	170 353 000	164 554 000
Local Government Financial Management Grant (FMG)	2 293 940	1 991 506
Department of Minerals and Energy (EPWP)	1 309 000	1 352 000
	<b>173 955 940</b>	<b>167 897 506</b>

#### Capital grants

Municipal infrastructure grant (MIG)	48 823 391	43 679 040
Department of Sport - Library	649 229	1 247 742
	<b>49 472 620</b>	<b>44 926 782</b>

#### Revenue recognised per vote as required by section 123(c) of the MFMA

MM	170 353 000	17 500 031
Council general	-	21 428 397
Exec mayor	-	4 983 366
Speaker	-	7 087 235
Financial services	2 293 940	5 518 206
Corporate services	-	29 007 146
Library services	-	2 944 621
Civil buildings	-	4 012 700
Parks and recreation	-	8 121 497
Refuse removal	-	11 405 086
Technical services	-	3 967 060
Public works - roads	-	19 704 614
Electricity	-	13 041 820
Water	-	2 596 120
Sewer	-	8 130 789
Land use and development	-	7 096 818
EPWP grant	1 309 000	1 352 000
	<b>173 955 940</b>	<b>167 897 506</b>
	<b>223 428 560</b>	<b>212 824 288</b>

#### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	42 625 000	48 270 287
Unconditional grants received	123 135 000	164 554 000
	<b>165 760 000</b>	<b>212 824 287</b>

#### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

#### Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	9 656 960	-
Current-year receipts	63 406 000	53 336 000
Conditions met - transferred to revenue	(47 487 920)	(43 679 040)
Withheld	(5 965 469)	-
	<b>19 609 571</b>	<b>9 656 960</b>

Conditions still to be met - remain liabilities (see note 16).

# Greater Taung Local Municipality

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### 22. Government grants and subsidies (continued)

The purpose of this grant is to provide capital finance for eradicating basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

#### Local Government - FMG

Balance unspent at beginning of year	18 494	-
Current-year receipts	2 293 940	2 010 000
Conditions met - transferred to revenue	(2 242 880)	(1 991 506)
	<b>69 554</b>	<b>18 494</b>

Conditions still to be met - remain liabilities (see note 16).

The purpose of this grant is to assist the municipality with its financial systems, this includes training of staff and payment of intern salaries.

#### Expanded Public Works Programme Incentive Grant

Current-year receipts	1 309 000	1 352 000
Conditions met - transferred to revenue	(1 309 000)	(1 352 000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

The purpose of this grant is to expand job creation efforts in specific focus area, where labour intensive delivery methods can be maximised.

#### SEIF Grant

Current-year receipts	2 271 000	-
	-	-

Conditions still to be met - remain liabilities (see note 16).

The purpose of this grant is to assist the municipality in building the Hawker stalls around the Greater Taung area. This development is carried out in order to boost the local economy of Greater Taung.

#### Department of Local Government - Disaster fund

Balance unspent at beginning of year	505 700	505 700
	-	-

Conditions still to be met - remain liabilities (see note 16).

The purpose of this grant is to assist the municipality in managing the disaster in the Greater Taung area, most commonly flooding.

#### Library Service Grant

Balance unspent at beginning of year	1 981 188	2 008 930
Current-year receipts	1 979 771	1 220 000
Conditions met - transferred to revenue	(1 309 000)	(1 247 742)
	<b>2 651 959</b>	<b>1 981 188</b>

Conditions still to be met - remain liabilities (see note 16).

The purpose of this grant is to transform urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a recapitalised programme at provincial level in support of local government and national initiatives.

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### **22. Government grants and subsidies (continued)**

#### **Total grants**

Balance unspent at beginning of year	12 162 343	2 514 631
Current-year receipts	68 380 000	57 918 000
Conditions met - transferred to revenue	(48 884 259)	(48 270 288)
Withheld	(4 630 000)	-
	<b>27 028 084</b>	<b>12 162 343</b>

# Greater Taung Local Municipality

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### 23. Employee related costs

Bargaining council	25 313	23 393
Basic	46 502 990	44 362 208
Bonus	3 351 151	3 329 573
Car allowance	3 852 671	3 540 818
Current service cost	989 801	1 096 035
Housing benefits and allowances	575 818	582 932
Leave reserve	2 271 181	4 211 076
Medical aid	3 224 253	3 448 045
Provident fund	21 584	13 134
Pension fund - company contributions	8 041 044	7 447 986
SDL	724 051	692 613
Salaries - all inclusive package	3 541 947	2 704 844
Salaries - temporary workers	924 694	762 453
Telephone allowance	359 500	343 475
UIF	413 355	397 562
	<b>74 819 353</b>	<b>72 956 147</b>

### Remuneration of Municipal Manager: KT Gabanakgosi

Annual remuneration	1 076 196	1 024 602
Car allowance	240 000	240 000
Cellphone allowance	12 000	12 000
Contributions to UIF, medical and pension funds	1 785	1 785
Other allowances	353 204	85 801
Backpay	42 370	36 833
	<b>1 725 555</b>	<b>1 401 021</b>

### Remuneration of Chief Finance Officer: MP Vermaak

Annual remuneration	839 222	798 378
Car allowance	180 000	180 000
Contributions to UIF, medical and pension funds	1 785	1 785
Backpay	61 750	23 747
Cellphone allowance	12 000	9 000
Other allowances	45 126	37 183
	<b>1 139 883</b>	<b>1 050 093</b>

### Remuneration of Director of Technical Services: MD Duma

Annual remuneration	-	208 668
Contributions to UIF, medical and pension funds	-	446
Cellphone allowance	-	2 250
Leave payment	-	113 516
Arbitration	-	562 448
Other	-	-
	<b>-</b>	<b>887 328</b>

### Remuneration of Director of Social Services: TB Baloyi

Annual remuneration	353 560	-
Car Allowance	62 500	-
Contributions to UIF, Medical and Pension Funds	744	-
Cellphone allowance	5 000	-
Other allowances	26 792	-
	<b>448 596</b>	-

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### 23. Employee related costs (continued)

#### Remuneration of Director of Corporate Services: GMP Pholo

Annual remuneration	400 320	-
Contributions to UIF, Medical and Pension Funds	892	-
Backpay	133 440	-
Cellphone allowance	8 000	-
Other allowances	13 606	-
	<b>556 258</b>	-

#### Remuneration of Director of Corporate Services (Acting)

Annual remuneration: KJ Mokhasi	16 546	32 845
Annual remuneration: DH de Jager	10 270	48 667
Annual remuneration: MEN Morule	20 070	22 211
	<b>46 886</b>	<b>103 723</b>

KJ Mokhasi acted for the period July 2016 and February until April 2017. MEN Morule acted for the period October 2016 until January 2017. DH de Jager acted for the period July 2016 to October 2016 and May 2017 until June 2017.

#### Remuneration of Director of Technical Services (Acting):

Annual remuneration: ME Keotlihetse	42 779	71 122
Annual remuneration: OB Mogapi	102 807	62 180
Annual remuneration: Nakana	-	71 222
	<b>145 586</b>	<b>204 524</b>

ME Keotlihetse acted for the period July 2016 until November 2016. OB Mogapi acted for the period November 2016 until January 2017. Nakana acted for the period February 2017 until April 2017.

#### Remuneration of Director of Development and land use (Acting):

Annual remuneration: HS de Jager	43 889	25 087
Annual remuneration: BB Tlhologae	115 489	115 768
	<b>159 378</b>	<b>140 855</b>

BB Tlhologae acted for the period July 2016 to November 2016 and from January 2017 to April 2017. HS de Jager acted for the period October 2016 to January 2017 and from April 2017 to June 2017.

#### Remuneration of Director of Social Services (Acting):

Annual remuneration: DG Koboyapudi	129 690	256 373
Annual remuneration: PG Ntlharapane	111 946	134 246
	<b>241 636</b>	<b>390 619</b>

PG Ntlharapane acted for the period July 2017 and in November 2017 to January 2018. DG Kobo ya pudi acted for the period August 2017 to October 2017.

### 24. Remuneration of councillors

Executive Major	795 912	784 191
Executive committee members	3 710 447	4 423 345
Speaker	636 732	632 807
Councillors	12 949 333	9 812 389
	<b>18 092 424</b>	<b>15 652 732</b>

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### **24. Remuneration of councillors (continued)**

#### **In-kind benefits**

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and Speaker each have the use of separate Council owned vehicles for official duties.

The salaries, allowance and benefits are within the upper limits of the framework envisaged in section 219 of the constitution.

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### 24. Remuneration of councillors (continued)

2018	Annual Remuneration	Cellular phone allowance	Total
Babuseng MC	251 880	44 400	296 280
Balebanye OJ	251 880	44 400	296 280
De Koker KS	251 880	44 400	296 280
Diphoko GS	251 880	44 400	296 280
Gaoboibe LJ	596 939	44 400	641 339
Gaobusive GW	251 880	44 400	296 280
Gaoraelwe TR	251 880	44 400	296 280
Gasetlolwe FC	195 907	34 533	230 440
Gezane BG	251 880	44 400	296 280
Itumeleng DA	251 880	44 400	296 280
Lepedi MC	251 880	44 400	296 280
Leshoe MF	251 880	44 400	296 280
Maila LE	251 880	44 400	296 280
Malepe J	596 939	44 400	641 339
Mamapula KL	251 880	44 400	296 280
Maribe IN	251 880	44 400	296 280
Matshwe T	251 880	44 400	296 280
Matuabe JA	251 880	44 400	296 280
Menyatso A	596 939	44 400	641 339
Mmokwa M	251 880	44 400	296 280
Mocumi KB	251 880	44 400	296 280
Moipolai KG	596 939	44 400	641 339
Mokgobo MR	251 880	44 400	296 280
Molale KR	251 880	44 400	296 280
Mongale OV	251 880	44 400	296 280
Mongale RA	596 939	44 400	641 339
Montwedi MK	725 752	34 533	760 285
Morweng TS	251 880	44 400	296 280
Mosinkiemang MV	251 880	44 400	296 280
Mothibedi SD	251 880	44 400	296 280
Motlhabane NC	795 912	44 400	840 312
Motshabi MI	251 880	44 400	296 280
Ncweng ME	251 880	44 400	296 280
Ntasi NE	596 939	44 400	641 339
Olifant MKI	251 880	44 400	296 280
Pitso JT	251 880	44 400	296 280
Ratake MJ	251 880	44 400	296 280
Sebe TP	251 880	44 400	296 280
Sebolai KL	251 880	44 400	296 280
Sedupane BJ	251 880	44 400	296 280
Seemelo HD	251 880	44 400	296 280
Seisho KG	251 880	44 400	296 280
Seleke OR	593 780	44 400	638 180
Tshipo GJ	251 880	44 400	296 280
Tladi EH	636 733	44 400	681 133
Tlhaganyane T	251 880	44 400	296 280
Tokwe LC	251 880	44 400	296 280
Totong DG	251 880	44 400	296 280
Kgosimore RK	55 973	9 867	65 840
Moeti MB	55 973	9 867	65 840
	<b>15 961 224</b>	<b>2 131 200</b>	<b>18 092 424</b>

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### 24. Remuneration of councillors (continued)

2017	Annual remuneration	Cellular phone allowance	Total
Chalmans KG	26 378	2 928	29 306
Diphoko GS	26 378	2 928	29 306
Dishakane PM	26 378	2 928	29 306
Galodikwe GP	63 167	2 928	66 095
Halenyane LJ	26 378	2 928	29 306
Hermanus M	26 378	2 928	29 306
Kanyane MS	26 378	2 928	29 306
Kodisang K	61 256	2 928	64 184
Lobelo K	84 224	2 719	86 943
Mahura LE	26 378	2 928	29 306
Mahura LW	26 378	2 928	29 306
Makgalemane EI	26 378	2 928	29 306
Malepe J	26 378	2 928	29 306
Malepe M	63 167	2 928	66 095
Malepe TV	26 378	2 928	29 306
Mamapula KL	26 378	2 928	29 306
Mantshwe T	26 378	2 928	29 306
March ZB	26 378	2 928	29 306
Maseng	26 378	2 928	29 306
Menyatso A	26 378	2 928	29 306
Moagi K	26 378	2 928	29 306
Mohitleng BK	26 378	2 928	29 306
Mokoto R	26 378	2 928	29 306
Molifi KP	26 378	2 928	29 306
Mongale OV	26 378	2 928	29 306
Motshabi DN	26 378	2 928	29 306
Mpopolai KG	26 378	2 928	29 306
Olfant MI	63 167	2 928	66 095
Olfant OP	63 167	2 928	66 095
Phacwane AS	26 378	2 928	29 306
Scholts AP	63 167	2 928	66 095
Sebe TP	26 378	2 928	29 306
Seepamere KJ	26 378	2 928	29 306
Seleke OR	63 167	2 928	66 095
Sethi DJ	67 383	2 928	70 311
Sibinda EV	26 378	2 928	29 306
Tladi EH	26 378	2 928	29 306
Tlhaganyane T	26 378	2 928	29 306
Tong	26 378	2 928	29 306
Tshipo GJ	63 167	2 928	66 095
Wesi LC	26 378	2 928	29 306
Councillors - August 2016 to June 2017	-	-	-
Babuseng MC	211 170	23 456	234 626
Balebanye OJ	211 170	23 456	234 626
Bathalefi KS	9 139	979	10 118
De Koker KS	99 010	11 000	110 010
Diphoko GS	211 170	23 456	234 626
Gaoboibe LJ	505 333	23 456	528 789
Gaobusiwe GW	211 170	23 456	234 626
Gaoraelwe TR	211 170	23 456	234 626
Gasetlolwe FC	211 170	23 456	234 626
Gezane BG	211 170	23 456	234 626
Itumeleng DA	211 170	23 456	234 626
Lepedi MC	211 170	23 456	234 626
Leshoe MF	211 170	23 456	234 626
Maila LE	211 170	23 456	234 626
Malepe J	505 333	23 456	528 789

# Greater Taung Local Municipality

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### 24. Remuneration of councillors (continued)

Mamapula KL	211 170	23 456	234 626
Maribe IN	211 170	23 456	234 626
Matshwe T	211 170	23 456	234 626
Matuane JA	211 170	23 456	234 626
Menyatso A	505 333	23 456	528 789
Mmokwa M	211 170	23 456	234 626
Mocumi KB	211 170	23 456	234 626
Moipolai KG	505 333	23 456	528 789
Mokgobo MR	211 170	23 456	234 626
Mokale KR	211 170	23 456	234 626
Mongale OV	211 170	23 456	234 626
Mongale RA	505 333	23 456	528 789
Montwedzi MK	245 361	23 456	268 817
Morweng TS	211 170	23 456	234 626
Monsikiemang MV	211 170	23 456	234 626
Mothibedi SD	211 170	23 456	234 626
Mothabane NC	673 792	23 456	697 248
Motshabi MI	211 170	23 456	234 626
Ncweng ME	211 170	23 456	234 626
Ntatsi NE	505 333	23 456	528 789
Olifant MKI	211 170	23 456	234 626
Pitso JT	211 170	23 456	234 626
Ratake MJ	211 170	23 456	234 626
Sebe TP	211 170	23 456	234 626
Sebolai KL	211 170	23 456	234 626
Sedupane BJ	211 170	23 456	234 626
Seemelo HD	211 170	23 456	234 626
Seisho KG	211 170	23 456	234 626
Seleke OR	431 489	23 456	454 945
Seokamo	92 358	10 255	102 613
Tladi EH	539 040	23 456	562 496
Tlhaganyane T	211 170	23 456	234 626
Tokwe LC	211 170	23 456	234 626
Totong DG	211 170	23 456	234 626
Tshipo GJ	211 170	23 456	234 626
	<b>14 408 227</b>	<b>1 244 505</b>	<b>15 652 732</b>

### 25. Depreciation and amortisation

Property, plant and equipment	27 695 485	31 987 394
Intangible assets	-	51 242
	<b>27 695 485</b>	<b>32 038 636</b>

### 26. Bulk purchases

Electricity	3 289 204	3 301 956
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Distribution loss incurred on electricity:

Distribution loss relate to unaccounted electricity distributions. The cost mainly arises from, inter alias, illegal connections to the electricity network and bridging of meters by consumers. According to NERSA, the acceptable levels of energy losses are between 5% - 12%

# Greater Taung Local Municipality

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### 26. Bulk purchases (continued)

	Total sales (units)	Less total purchases	(Loss)/gain (units)	% loss or gain on purchases	Rand value of loss at purchase price
Electricity	2 441 828	2 628 655	186 828	7	233 961
2017	Total sales (units)	Less total purchases (units)	(Loss)/gain (units)	% loss or gain on purchases	Rand value of loss at purchase price
Electricity	2 542 118	2 632 858	90 740	3	113 812

### 27. Contracted services

Information Technology Services	1 197 732	1 224 860
Security services	6 843 840	6 375 529
Legal costs	4 818 611	2 644 390
Other Contractors	5 005 230	7 005 585
	<b>17 865 413</b>	<b>17 250 364</b>

# Greater Taung Local Municipality

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### 28. General expenses

Accommodation	1 277 115	1 261 378
Advertising cost	1 731 949	1 198 839
Allowance ward committee members	2 784 989	2 112 931
Auditors remuneration	2 786 753	2 824 787
Bank charges	1 501 057	218 143
Business support/SMME facilitation	578 571	26 672
Cleaning	649 351	402 287
Community expenditure	1 371 388	4 130 190
Consulting and professional fees	3 721 292	5 357 593
Consumables	617 851	438 892
Council bursary	723 181	924 687
Disaster expense	-	330 755
Discount allowed	-	50 232
Document management	121 802	268 021
Donations	175 781	-
EPWP expenditure	1 426 045	1 584 415
Electricity	3 667 016	2 811 498
Entertainment	573 663	721 564
FMG grant expenditure	2 242 426	1 991 506
Fuel and oil	3 980 805	4 115 982
Health and safety	372 237	165 886
Indigent support	5 024 163	5 043 861
Insurance	138 592	-
LED expenditure	-	533 856
Library grant expenditure	625 282	1 247 742
MIG grant expenditure	2 155 253	1 699 944
Magazines, books and periodicals	131	400
Movement in provisions	(473 436)	(228 689)
Postage and courier	15 941	20 787
Postage and courier	614 163	618 657
Protective clothing	347 967	396 555
Public participation	2 421 735	2 405 488
Sports	-	225 000
Subscriptions and membership fees	1 087 684	1 025 062
Title deed search fees	148 776	236 284
Tourism development	-	42 450
Training	849 176	794 609
Travel - local	2 164 509	1 665 961
Venue expenses	356 915	660 997
Water usage	527 750	873 058
Workmens compensation	814 797	669 229
	<b>47 122 670</b>	<b>48 867 509</b>

### 29. Auditors' remuneration

Fees	2 786 753	2 824 787
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# Greater Taung Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>30. Cash generated from operations</b>		
Surplus	83 200 863	35 245 713
<b>Adjustments for:</b>		
Depreciation and amortisation	27 695 485	32 038 636
Loss on sale of property, plant and equipment	2 665 199	476 712
Impairment of assets	(1 928 900)	6 243 595
Allowance for impairment	8 356 186	33 393 656
Movements in retirement benefit assets and liabilities	(160 718)	1 205 842
Movement in provision-landfill	902 095	369 879
Other non-cash items	1 575 567	3 336 154
Movement in accumulated surplus	14 068	15 279
Non cash movements on assets	264 312 756	-
<b>Changes in working capital:</b>		
Inventories	(25 379)	(62 698)
Receivables from exchange transactions	(8 326 881)	(29 891 134)
Other receivables from non-exchange transactions	(513 115)	7 770 858
Payables from exchange transactions	662 635	3 165 288
VAT receivable	3 501 313	(1 087 869)
Unspent conditional grants and receipts	12 945 442	9 647 712
Consumer deposits	(9 959)	(18 665)
	<b>394 866 657</b>	<b>101 848 958</b>
<b>31. Financial instruments disclosure</b>		
<b>Categories of financial instruments</b>		
<b>2018</b>		
<b>Financial assets</b>		
	At amortised cost	Total
Receivables from exchange transactions	10 749 764	10 749 764
Cash and cash equivalents	231 326 747	231 326 747
Receivables from non exchange	12 780 944	12 780 944
VAT receivable	4 072 578	4 072 578
	<b>258 930 033</b>	<b>258 930 033</b>
<b>Financial liabilities</b>		
	At amortised cost	Total
Finance lease obligation	639 435	639 435
Payables from exchange transactions	35 457 104	35 457 104
Other financial liabilities	95 109	95 109
Unspent conditional grants and receipts	25 107 784	25 107 784
Employee benefit obligation	567 946	567 946
Retirement benefits - non current	10 760 583	10 760 583
Finance lease - non current	599 559	599 559
	<b>73 227 520</b>	<b>73 227 520</b>
<b>2017</b>		
<b>Financial assets</b>		
	At amortised cost	Total

# Greater Taung Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>31. Financial instruments disclosure (continued)</b>		
Other receivables from non-exchange	12 267 829	12 267 829
Receivables from exchange transactions	10 779 069	10 779 069
Cash and cash equivalents	161 944 715	161 944 715
VAT receivable	7 573 891	7 573 891
	<b>192 565 504</b>	<b>192 565 504</b>

### Financial liabilities

	At amortised cost	Total
Finance lease obligation	523 267	523 267
Payables from exchange transactions	33 218 902	33 218 902
Other financial liabilities	105 069	105 069
Unspent conditional grants and receipts	12 162 342	12 162 342
Employee benefit obligation	888 501	888 501
Retirement benefit - non current	10 600 746	10 600 746
Finance lease - non current	1 171 686	1 171 686
	<b>58 670 513</b>	<b>58 670 513</b>

2017

### Financial assets

	At amortised cost	Total
Receivables from exchange transactions	10 779 069	10 779 069
Cash and cash equivalents	161 944 715	161 944 715
	<b>172 723 784</b>	<b>172 723 784</b>

### Financial liabilities

	At amortised cost	Total
Finance lease obligations	1 694 953	1 694 953
Payables from exchange transactions	33 218 900	33 218 900
Consumer deposits	105 069	105 069
Unspent conditional grants and receipts	12 162 342	12 162 342
	<b>47 181 264</b>	<b>47 181 264</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>32. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	40 711 647	23 127 692
<b>Total capital commitments</b>		
Already contracted for but not provided for	40 711 647	23 127 692
<b>Authorised operational expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Operating activities	1 933 859	2 960 238
<b>Total operational commitments</b>		
Already contracted for but not provided for	1 933 859	2 960 238
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	40 711 647	23 127 692
Authorised operational expenditure	1 933 859	2 960 238
	<b>42 645 506</b>	<b>26 087 930</b>

This committed expenditure relates to property and will be financed by available bank facilities and existing cash resources, funds internally generated etc.

# Greater Taung Local Municipality

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### 33. Contingencies

#### Claims and damages

Cedar point Joint Venture: Issued summons against the municipality relying on an alleged repudiation of contract by the municipality. The municipality is taking a "local stand" of the joint venture to institute legal proceedings on the ground that the joint venture is an unincorporated joint venture purely for the purpose of submission of the tender.		3 500 000	3 500 000
Martin Vermaak: Issued summons against the municipality for dismissal from work which he considered was procedurally and substantively unfair, and it was ordered that he be reinstated and remunerated seven months salary.	-	329 000	
Martin Vermaak: This is for an arbitration hearing held between the applicant and the municipality.	200 000	410 000	
Thalami Lekhotla Consortium // GTLM: Application for summary judgement for retention fees in respect of the construction of a community hall by a contractor.	2 950 000	2 950 000	
R.Makgale // GTLM: This is an application for the eviction of the respondent on the specific land.	500 000	1 500 000	
C/N CIV App. 04/2018: GTLM/H Seleke: Failure to comply with building regulations and standards Act, 1977	250 000	100 000	
C/N 356/2015: GTLM/Various unlawful land occupiers - eviction order granted	-	50 000	
C/N 346/2015: Phungo attorneys/GTLM: Legal services rendered: action pending.	50 000	50 000	
C/N 345/2015: Telkom SA Ltd/GLTM: Claim against municipality for damages rendered	30 000	55 000	
C/N 53 2017: GTLM & OA Koki / D Jobeta: Ejectment I.T.O PIE Act, 1998	80 000	-	
	<b>7 560 000</b>	<b>8 944 000</b>	

The municipality operated on an illegal landfill site without the necessary licence. The municipality can be fined and/or criminal charges may be filed fro the offences in terms of the National Management Waste Act of 2008. The maximum penalty imposed on such an offence approximates R10 million. the outcome will be confirmed through the courts.

#### Contingent assets

The Manokwane Disaster Project was subsequently identified to be irregular expenditure. In accordance with MFMA section 167, this irregular expenditure must be recovered and was handed over to Ernst & Young Inc and subsequently a forensic report was issued. The investigation consisted of confirming whether irregularities incurred during the spending on the Manokwane Disaster project. The matter is currently at MPAC. Expenditure which may be recoverable amounts to R3 273 102.

The municipality purchased building material for Maxima Global engineering and was placed in both Maxima Engineering and Buya Nempumelelo's possession. Neither Maxima nor Buya Nempumelelo performed their duties and the material remained in their possession. A dispute arose between Maxima and Buya Nempumelelo which resulted in the material being moved unlawfully. The municipality attempted to regain possession of the material and were unsuccessful. Isang Nakale INC were appointed to recover from both companies an amount of R1 500 000.

Rename Mokalane Incorporated: Mokhetle INC is representing the municipality on bills of 3 tax invoices for Maxima Global Engineering. The company was considered to have fraudulently over exhaustive bills for the work not done. Expenditure which may be recovered amounts to R377 000.

T.Bloem/GLTM - T.Bloem submitted a labour court application for reinstatement against the municipality. The case was dismissed with a cost amounting to R280 000.

R.Makgale/GLTM - An application for an interdict restraining the municipality from digging and fetching soil from the applicant's allegedly owned land. The case was dismissed and the current cost amount to R200 000.

# Greater Taung Local Municipality

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### 34. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (cash flow interest rate risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by a central treasury department (entity treasury) under policies approved. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. It provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Exposure to interest rate, liquidity and credit arises in the normal course of the municipality's operations. This note presents information about the municipality's exposure to each of the above risks, its policies and processes for measuring and managing risk, and the municipality's management capital. Further quantitative disclosures are included throughout these financial statements.

The district Audit and Risk Committee is responsible for overseeing the integrated risk management policies and activities. The policies were established to ensure a structured approach to the identification and mitigation of risks across the municipality to an acceptable level. The policies and systems are reviewed regularly to ensure that they keep pace with best practices and regulatory requirements.

#### Liquidity risk

Liquidity risk is the risk of the municipality not being able to meet its obligations as they fall due. The municipality's approach to managing liquidity is to ensure that sufficient liquidity is available to meet its liabilities when due, without incurring unacceptable losses or risking damage to the municipality's reputation.

The municipality ensures that it has sufficient cash on demand to meet expected operating expenses through the use of cash flow forecasts. Payables are settled within 30 days when the invoice is received. National and provincial grant funding is received in terms of the Division of Revenue Act (DoRA).

#### At 30 June 2018

Consumer deposits  
Finance lease obligation  
Unspent conditional grants  
Payable from exchange

	Less than 1 year	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Consumer deposits	95 109	-	-	-
Finance lease obligation	639 435	599 559	-	-
Unspent conditional grants	25 107 784	-	-	-
Payable from exchange	35 457 104	-	-	-
	<b>61 299 432</b>	<b>599 559</b>	-	-

#### At 30 June 2017

Consumer deposits  
Finance lease obligation  
Unspent conditional grant  
Payable from exchange

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	105 069	-	-	-
Finance lease obligation	523 267	569 254	602 432	-
Unspent conditional grant	12 162 342	-	-	-
Payable from exchange	33 218 902	-	-	-
	<b>46 009 580</b>	<b>569 254</b>	<b>602 432</b>	-

# Greater Taung Local Municipality

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### 34. Risk management (continued)

#### Credit risk

Credit risk is the risk of financial loss to the municipality if customers or counter parties to financial instruments fail to meet their contractual obligations, and rises principally from the municipality's receivables from exchange and cash and cash equivalents. The carrying amount of financial assets presents the maximum credit exposure.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2018	2017
Cash and cash equivalents	231 326 747	161 944 715
Receivables from exchange transactions	10 749 764	10 779 069
Receivables from non exchange transactions	12 780 944	12 267 829

The municipality limits its exposure to credit risk by investing with only reputable financial institutions that have a sound credit rating, and within specific guidelines set in accordance with Council's approved investment policy. Consequently, the municipality does not consider to be any significant exposure to credit risk.

#### Receivables from exchange transactions and non-exchange transactions:

Receivables are amounts owing by consumers, and are presented net of impairment losses. The municipality has a credit risk policy in place, and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services, without recourse to an assessment of creditworthiness. There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's strategy for managing its risk includes encouraging residents to install water management devices that control water flow to households, as well as prepaid electricity meters. In certain instances, a deposit is required for new service connections, serving as a guarantee.

The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial performance. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers and not concentrated in any particular sector or geographic area. The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of receivables. The average credit period on services rendered is 30 days from date of invoice.

#### Capital management:

The primary objective of managing the municipality's capital is to see to it that there is sufficient cash available to support the municipality's funding requirements, including capital expenditure, to ensure that the municipality remains financially sound.

The capital structure of the municipality consists out of debt, including finance leases, cash and cash equivalents disclosed and net assets as disclosed in the Statement of Financial Position. There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

### 35. Fruitless and wasteful expenditure

Opening balance	1 508 934	1 139 179
Add: current year	919 033	2 232 130
Written off	-	(1 862 375)
	<b>2 427 967</b>	<b>1 508 934</b>

Fruitless expenditure relates to interest on Eskom accounts, the Auditor General, Petrol cards, illegitimate insurance claims and additional interest and penalties paid to SARS.

# Greater Taung Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>35. Fruitless and wasteful expenditure (continued)</b>		
<b>Analysis of expenditure</b>		
Eskom interest paid	10 052	7 813
Petrol cards interest paid	17 965	11 405
Telkom interest paid	795	4 104
Insurance claim not paid	47	25 323
SARS - Interest and penalties	890 127	2 183 485
ABSA - Interest	47	-
	<b>919 033</b>	<b>2 232 130</b>
<b>36. Irregular expenditure</b>		
Opening balance	179 071 580	145 642 012
Add: Irregular Expenditure - current year	22 799 458	33 429 568
	<b>201 871 038</b>	<b>179 071 580</b>
<b>37. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Current year subscription / fee	1 113 684	1 013 348
Amount paid - current year	(1 113 684)	(1 013 348)
	-	-
<b>Audit fees</b>		
Current year subscription / fee	2 786 753	2 824 787
Amount paid - current year	(2 756 052)	(2 824 787)
	<b>30 701</b>	-
<b>PAYE and UIF</b>		
Current year subscription / fee	13 896 592	13 469 549
Amount paid - current year	(13 896 592)	(13 469 549)
	-	-
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	17 108 452	16 816 034
Amount paid - current year	(17 108 452)	(16 816 034)
	-	-
<b>VAT</b>		
VAT receivable	4 072 578	7 573 891

VAT output payables and VAT input receivables are shown in note 7.

All VAT returns have been submitted by the due date throughout the year.

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### 37. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2018:

	Outstanding less than 90 days	Outstanding more than 90 days	Total
30 June 2018			
Sebolai KL	248	1 234	1 482
30 June 2017			
Sebolai KL	363	1 148	1 511

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

	Highest outstanding amount	Aging (in days)
30 June 2018		
Sebolai KL	725	180
30 June 2017		
Sebolai KL	782	365

#### Non-compliance

Non-compliance relates to accounts not paid within 30 days of receiving invoices or statements of account.

### 38. Going concern

We draw attention to the fact that at 31 December 2017, the municipality had accumulated surpluses of R760 618 463 and that the municipality's total assets exceed its liabilities by R760 610 463.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available for finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 39. Repairs and maintenance

Buildings	2 287 746	1 393 143
Computer equipment	1 335 814	904 296
Network maintenance	1 963 913	9 166 745
Street and storm water drainage	181 899	571 470
Tools	-	380 534
Vehicles	1 590 189	1 919 096
	<b>7 359 561</b>	<b>14 335 284</b>

# Greater Taung Local Municipality

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### 40. Service charges

Sale of electricity	2 507 975	2 501 414
Sale of water	765 263	644 601
Sewerage and sanitation charges	1 900 093	1 720 638
Refuse removal	2 917 113	2 771 237
	<b>8 090 444</b>	<b>7 637 890</b>

### 41. Rental of facilities and equipment

Rental income	447 514	483 985
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### 42. Other income

Collection commission and tender fees	7 857 206	1 165 767
Sundry income - photo copies, etc	1 410 900	7 679 819
	<b>9 268 106</b>	<b>8 845 586</b>

### 43. Finance costs

Trade and other payables	919 034	59 096
Finance leases	187 384	8 508
Finance charges on landfill sites	129 722	598 567
Finance charges on employee benefits obligation	1 067 144	928 971
	<b>2 303 284</b>	<b>1 595 142</b>

### 44. Prior-year adjustments

Presented below are those items contained in the statement of financial position and statement of financial performance that have been affected by prior-year adjustments:

#### Statement of financial position

# Greater Taung Local Municipality

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## Notes to the Annual Financial Statements

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### 44. Prior-year adjustments (continued)

2017

	Note	Balance as previously reported	Reclassified	Prior period error	Restated
Inventories		7 103 882	-	77 922	7 181 804
Receivables from exchange transactions		24 697 270	(156 704)	(13 761 497)	10 779 069
VAT receivable		7 423 348	-	150 543	7 573 891
Receivables from non-exchange transactions		21 422 179	-	(9 154 350)	12 267 827
Cash and cash equivalents		161 944 715	-	-	161 944 715
Investment property		21 534 000	-	-	21 534 000
Property plant and equipment		493 228 687	-	-	493 228 687
Intangible assets		645 015	-	-	645 015
Finance lease obligation		(523 267)	-	-	(523 267)
Payables from exchange transactions		(33 218 900)	-	-	(33 218 900)
Consumer deposits		(105 069)	-	-	(105 069)
Employee benefit obligation		(888 501)	-	-	(888 501)
Unspent conditional grants		(12 162 342)	-	-	(12 162 342)
Provisions		(1 556 074)	-	-	(1 556 074)
Employee benefit obligation - non current		(10 600 746)	-	-	(10 600 746)
Provisions		(10 780 829)	-	-	(10 780 829)
Finance lease obligation		(1 171 686)	-	-	(1 171 686)
Accumulated surplus		(608 901 880)	-	-	(608 901 944)
(Surplus) / deficit for the year		(58 089 802)	156 704	22 687 382	(35 245 650)
		-	-	-	-

### Statement of financial performance

2017

	Note	Balance as previously reported	Reclassified	Prior period error	Restated
Service charges		(7 951 300)	156 704	156 704	(7 637 891)
Rental of facilities and equipment		(483 985)	-	-	(483 985)
Other income		(1 420 364)	-	(7 425 222)	(8 845 586)
Investment income		(14 479 043)	-	-	(14 479 043)
Property rates		(26 848 632)	-	-	(26 848 632)
Property rates - penalties imposed		(3 153 005)	-	-	(3 153 005)
Government grants and subsidies		(212 824 288)	-	-	(212 824 288)
Other income (non-exchange)		(100 112)	-	-	(100 112)
Employee related cost		72 956 147	-	-	72 956 147
Remuneration of councillors		15 652 732	-	-	15 652 732
Depreciation		32 038 636	-	-	32 038 636
Finance cost		1 595 142	-	-	1 595 142
Allowance for impairment		3 209 291	-	30 184 365	33 393 656
Repairs and maintenance		14 335 284	-	(150 542)	14 184 742
Bulk purchases		3 301 956	-	-	3 301 956
Contracted services		17 250 364	-	-	17 250 364
General expenses		48 867 509	-	-	48 867 509
Inventory losses / write down		-	-	(77 922)	(77 922)
Loss on disposal of assets and liabilities		476 712	-	-	476 712
Actuarial gain / (loss)		(512 846)	-	-	(512 846)
<b>Surplus (deficit) for the year</b>		<b>(58 089 802)</b>	<b>156 704</b>	<b>22 687 383</b>	<b>(35 245 714)</b>

### Errors

The following prior period errors adjustments occurred:

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### 44. Prior-year adjustments (continued)

#### Error 1

It was found that transactions on receivables were incorrectly processed, the impairment of receivables were also recalculated and restated. The impact is as follows:

##### Statement of financial position

Increase in receivables from non-exchange	-	(9 579 003)
Decrease in receivables from exchange	-	(14 814 231)
	<hr/>	<hr/>
		- (24 393 234)

##### Statement of financial performance

Increase in allowance for impairment	-	30 184 365
Increase in service charges	-	156 705
	<hr/>	<hr/>
		- 30 341 070

#### Error 2

Inventory differences which should have been written off in the prior year, was corrected in the current year. The impact is as follows:

##### Statement of financial position

Increase in inventories	-	77 922
	<hr/>	<hr/>

##### Statement of financial performance

Increase in inventory losses / write down	-	(77 922)
	<hr/>	<hr/>

#### Error 3

It was found that some transactions recognised the VAT on transactions incorrectly, this was corrected. The impact is as follows:

##### Statement of financial position

Increase in VAT receivables	-	150 542
	<hr/>	<hr/>

##### Statement of financial performance

Decrease in repairs and maintenance	-	(150 542)
	<hr/>	<hr/>

### 45. Comparative figures

Certain comparative figures have been reclassified.

Reclassification of certain accounts were made in order to comply with the requirements of Municipal Standard Chart of Accounts (MSCOA). The reclassification have no impact on the net asset value of the municipality.

### 46. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had accumulated surplus of R 727 362 526 and that the municipality's total assets exceed its liabilities by R 727 362 526.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

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### **47. Unauthorised expenditure**

Opening balance	30 869 211	55 476 381
Overspending on budget	117 045	4 826 318
Written off	-	(29 433 488)
	<b>30 986 256</b>	<b>30 869 211</b>

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### **48. Deviation from supply chain management regulations**

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the Accounting Officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

The reasons for these deviations were documented and reported to the Accounting Officer who considered them and subsequently approved the deviation from the normal supply chain management regulations. The expenses incurred as listed hereunder have been approved:

#### **Deviations**

Emergency	1 842 803	11 134
Sole supplier	18 616	424 870
Impractical/impossible to follow procurement process	663 072	4 749 678
	<b>2 524 491</b>	<b>5 185 682</b>

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